

# DIVISION OF TAXATION HIGHLIGHTS

- NJ SAVER TeleFile system used by 1.7 million taxpayers to file rebate application by telephone.
- NJ PC File, the newest method for filing paperless tax returns, available for downloading from the Division's Web site at no cost to the taxpayer.
- Program developed for New Jersey's new property tax relief law, Property Tax Reimbursement (Freeze Program).
- New, state of the art Call Center provides best possible taxpayer services to both the tax practitioner community and the public at large.
- Division of Taxation Web site, renovated to encompass all aspects of the Division, includes improved e-mail service and an "interactive" organizational chart. The Division responded to 8,426 e-mail inquiries during the 1999 fiscal year.
- Interactive Corporation Business Tax forms and schedules available on the Division's Web site as an interim step toward filing these tax returns online.
- Real Property Appraisal Manual for New Jersey Assessors, Farm Building Section updated and expanded to reflect current construction costs, techniques and materials.
- Office of Criminal Investigation conducts ongoing investigations involving counterfeit cigarette tax stamps and works closely with FBI and ATF to prevent interstate transportation of contraband cigarettes.
- Cash audit projects initiated for retail pizza and gasoline industries to verify accuracy of tax reporting.
- Agreement between Division of Taxation and New Jersey State Police permits investigators to safely question drivers of out-of-State vehicles at fixed weigh stations and mobile inspection sites.
- Acquisition of 17' Boston Whaler assists in investigation of nonpayment of sales tax on boats.

- Warehouse Project initiated to determine whether businesses leasing warehouse space in New Jersey have Corporation Business Tax liability.
- Construction Project sets goal to assure out-of-State corporations working in the construction industry are in compliance with New Jersey tax laws and regulations.
- Certificates of debt filed by Division to be auctioned and sold in bound lots.
- Approximately 14,000 New Jersey income tax debts were submitted to be satisfied through participation in the Federal Reciprocal Refund Offset Program.
- Remote access telephone connection improves communication in field offices and ability to monitor business activity.
- Division develops ongoing project to investigate questionable activities in the motor fuels industry.
- Vendor Set-Off Program now fully operational.
- Division investigators, working closely with auditors, visit retail cash-based businesses such as bars, restaurants, delicatessens, liquor stores and pizzerias to gather “real world” business activity information to support auditors’ findings, and prepare “economic reality” reports on cash business owners.

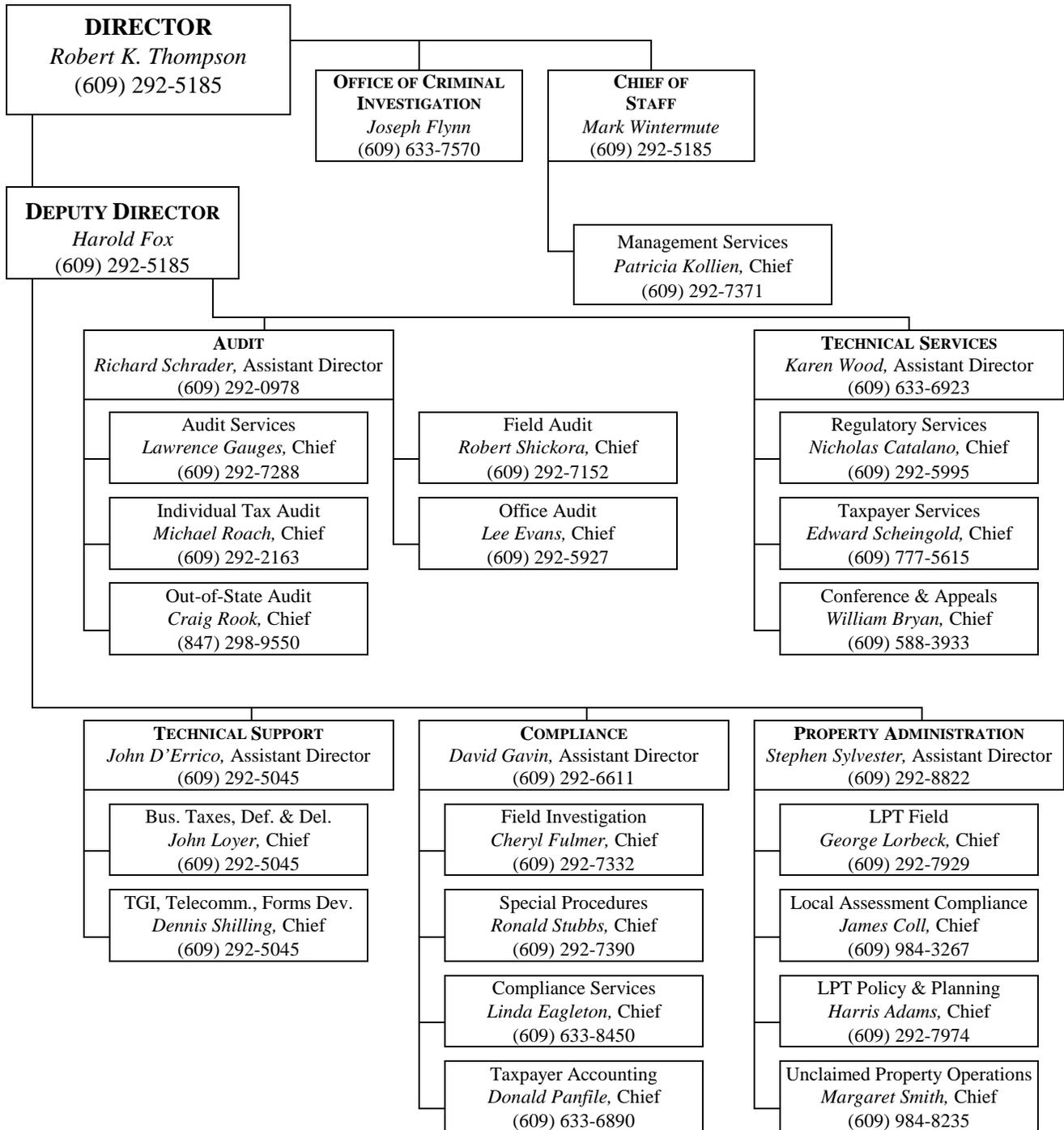
**NEW JERSEY  
DIVISION OF  
TAXATION**

***MISSION STATEMENT***

*The mission of  
the Division of Taxation  
is to administer  
the State's tax laws  
uniformly, equitably, and efficiently  
to maximize State revenues  
to support public services;  
and, to ensure that  
voluntary compliance  
within the taxing statutes  
is achieved  
without being an impediment  
to economic growth.*



## DIVISION OF TAXATION ORGANIZATION





## AUDIT

This activity is responsible for ensuring tax compliance and the collection of outstanding tax liabilities through the examination of information provided on tax returns and by auditing records at the taxpayer's place of business. This activity consists of five branches: Field Audit, Out-of-State Audit, Audit Services, Office Audit and Individual Tax Audit.

### Field Audit

The Field Audit Branch audits businesses to determine if they have complied with their obligations under New Jersey's tax statutes. The audit examination of the taxpayer's accounting records is comprehensive and covers all taxes administered by the Division. In addition, as part of several interstate exchange agreements, select information may be obtained for other taxing jurisdictions during the performance of the audit.

In addition to regular audit activities the Field Audit Branch has undertaken its cash audit initiative. This program is designed to strengthen compliance and collection efforts as well as level the playing field for smaller to moderately sized companies located in New Jersey.

During the 1999 fiscal year, the nineteen field audit groups completed 3,931 assignments consisting of both regular and cash audits. The completed assignments generated assessments of \$75,091,881 including penalty and interest charges. The distribution of the assessments by tax is as follows:

Tax	FY 1999
Sales & Use	\$40,409,587
Corporation Business	9,461,841
Business Personal Prop.	11,264
Gross Income	3,114,402
Litter	540,179
Miscellaneous Other	1,312,042
Total Tax	\$54,849,315
Penalty and Interest	20,242,566
Total Assessments	\$75,091,881

### Out-of-State Audit

The Out-of-State Audit Branch has the responsibility to perform field audits for all New Jersey taxes on all taxpayers whose accounting records are maintained outside of the State. Currently the Division has regional offices in Chicago (Illinois) and Anaheim (California) with tele-commuters based in Atlanta, Boston, Houston and Norwalk.

Completions of audits by the Out-of-State Audit Branch for fiscal year 1998 and fiscal year 1999 were 187 and 200 audits respectively which generated assessments totaling \$22.7 million and \$29.2 million respectively. The distribution of assessments by tax is as follows:

Tax	FY 1999
Sales & Use	\$ 9,141,853
Corporation Business	7,639,381
Litter	1,493,746
Petro. Gross Receipts	284,003
Business Personal Prop.	0
Total Tax	\$18,558,985
Penalty and Interest	10,733,625
Total Assessments	\$29,262,610

Collections versus assessments on closed audits since inception of the Branch through the end of this fiscal year is 75.3%.

### Audit Services

The Audit Services Branch provides audit, technical and clerical support for various Branches within the Division. In addition to the support functions, they house the Alcoholic Beverage Tax, Cigarette Tax, Cooperative Interstate Tax Enforcement, Public Utility Tax, Sales Tax Refund, and Wholesale Tobacco Products Tax Groups.

The Audit Selection Group provides Audit with candidates selected by utilizing various resources such as the Division's databases, analysis of outside information, manipulating and comparing reporting histories and reviewing the latest tax issues. All resources utilized by this group are geared towards providing Audit with the most effective candidates for audit.

The Case Preparation Team within the Audit Selection Group assists the various Audit Teams in the preparation of case files. This includes entering Corporation Business Tax returns in the automated workpapers. This eliminates some of the functions previously performed by technical staff located in Field Offices. This enables them to more efficiently service the auditors' and supervisors' needs.

The Technical Support Group processes data received from various outside agencies such as the I.R.S., U.S. Customs and third parties, such as alcoholic beverage wholesalers, as well as manipulating the Division's databases to provide Audit Branches with valuable audit information. This group is also in the process of developing new management reports for Division managers.

Audit Services continues to assist auditors with updates and maintenance for laptops, desktop computers, periph-

eral equipment and programs including SmartPapers, the automated workpapers system. In addition to providing assistance and training, they are continually reviewing and evaluating new technologies to further enhance the auditor's efficiency. This group also provides assistance to the various groups within this Branch.

The Audit Billing Group within Audit Services provides billing capabilities for all Audit Branches. This process includes making the necessary adjustments to the Division's systems to properly reflect the taxpayer's account, creating bills, corresponding with taxpayers, applying payments and transferring files for administrative hearings or securing the liability for future collection.

Independently this Branch handles administrative functions for Tobacco Taxes and Alcoholic Beverage Taxes, which are too small to be totally mainstreamed. These groups issue refunds, reconcile accounts, review license applications, determine proper bonding requirements and provide taxpayer service as it relates to these taxes.

The Sales Tax Refund Group processes and reviews refund claims. This group works closely with Audit to streamline processes and perform functions more effectively and efficiently.

This Branch continues to maintain and expand the Local Area Network for Audit Activity. The LAN is highly relied upon by both the Gross Income Tax Branch and the Nexus team. The LAN allows these groups to streamline information and utilize resources more efficiently and effectively.

The Public Utility Tax Unit has been implementing changes that affected the energy industry with the passing of new legislation. This unit worked closely with the Treasurer's Office to introduce and implement this new legislation. They continue to administer the Gross Receipts and Franchise Tax in all aspects for other utilities.

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

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

provisions of the Jenkinson Act as it relates to cigarettes being purchased out-of-State.

## Office Audit

The primary responsibility of the Office Audit Branch is the audit and refund of Corporation Business Tax. Other taxes audited include the Financial Business Tax, Insurance Premiums Tax, Ocean Marine Tax, Retaliatory Tax, Savings Institution Tax, various Sanitary Landfill Taxes, Spill Compensation and Control Tax, Corporation Income Tax, Motor Fuels Tax and the Petroleum Products Gross Receipts Tax.

The Branch is comprised of ten audit groups. Three groups are assigned general corporate desk audits. The two Corporate Service Audit Groups have the responsibility to examine taxpayers in order to issue Tax Lien Certificates, Tax Clearance Certificates and Certificates of Reinstatement of Corporate Charter. The Motor Fuels Audit Group examines the Motor Fuels Tax and Petroleum Products Gross Receipts Tax. The Special Audit Group has responsibility for the other smaller taxes as well as reviewing Internal Revenue audit changes. The Nexus Audit Group has the responsibility to discover and examine out-of-State entities to determine whether they have an unreported tax filing and paying obligation. The Corporate Bill Group has responsibility to review all deficiencies generated by Corporation Business Tax filings, as well as auditing all amended returns not claiming a refund. The Corporate Refund Audit Group is responsible for auditing and approving all Corporation Business Tax refund claims. Last fiscal year, this group denied refund claims totaling \$23,641,518.

During fiscal year 1999, the ten audit groups generated assessments, including penalty and interest, in excess of \$113 million while issuing 22,974 tax certificates of various types. Distribution of assessments by tax is as follows:

<b>Tax</b>	<b>Amount</b>
Corporation Business	\$ 77,191,609
Sales & Use	1,021,424
Gross Income	720,764
Miscellaneous Others	5,783,793
Total Tax	\$ 84,717,590
Penalty and Interest	29,063,198
Total Assessments	\$113,780,788

## Individual Tax Audit

On January 1, 1999 the Gross Income Tax Audit Branch and the Transfer Inheritance and Estate Tax Branch of the Division of Taxation were merged to form the Individual Tax Audit Branch. All of the functions of the two prior Branches are now done by

the two sections of the new Branch and are reported below.

**Gross Income Tax Audit.** The Gross Income Tax Audit Section of the Individual Tax Audit Branch is responsible for auditing the Gross Income Tax returns filed with the State of New Jersey, using a variety of criteria developed within the Branch utilizing information from the Internal Revenue Service, neighboring states, and other New Jersey agencies where applicable.

The section also pursues delinquent resident and nonresident taxpayers separately and in joint projects with other Division Branches and the Internal Revenue Service.

Some categories of individuals and/or businesses the section is currently focusing on are S corporations and their shareholders, partnerships and their partners, the self-employed, fiduciaries and their beneficiaries, entertainers, professional athletes, and employers withholding Gross Income Tax.

During fiscal year 1999, the six audit teams of the Gross Income Tax Section of the Individual Tax Audit Branch completed the following cases using computer-assisted and manual audit techniques:

	<b>FY 1999</b>
Cases Reviewed	37,388
No. of Assessments	9,942
Tax Assessed	\$22,466,880
Penalty and Interest	9,045,387
Total Assessments	<u>\$31,512,267</u>
Amount Collected	\$18,020,750

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

The Taxpayer Service Unit in the Transfer Inheritance and Estate Tax Section handled 29,716 telephone inquiries from taxpayers and/or their representatives and also aided 688 individuals at the Division's Trenton location.

During fiscal year 1999, 6,923 returns were audited resulting in 1,686 assessments totaling \$36,656,488. The section processed 61,178 self-executing waivers (Form L-8), 7,604 requests for real estate waivers (Form L-9), and 46,206 additional waivers. Revenue in the amount of \$435,722,632 was collected of which \$172,422,017 represented New Jersey Estate Tax.

## TECHNICAL SERVICES

### Conference and Appeals

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

All incoming protests are evaluated by the Review Section for compliance with the statutory and regulatory provisions for Protests and Appeals. During the fiscal year, the Review Section forwarded to the Conference Section backlog 830 cases, only 26% of the total incoming protests.

The Conference Section provides informal administrative hearings. Determinations are rendered based upon the application of the statutes, regulations and Division policy to the specific taxpayer's facts as supported by the evidence provided. After the hearing process, conferees issue the Division's Final Determination on assessments, notices of individual responsibility for trust fund taxes, denials of refunds, as well as such non-monetary issues as nexus, subjectivity determinations and the denial of claims by organizations claiming exempt status. The Conference Section closed 862 cases for the year.

The exclusive remedy for a taxpayer should they disagree with the Final Determination is to file a complaint with the Tax Court of New Jersey. The Appeals Section of the Branch tracks and manages these cases, acting as the Division's liaison with the Deputy Attorney General assigned to defend the Division of Taxation. During the fiscal year, 183 new appeals were filed and 167 cases were concluded.

This fiscal year, the Conference and Appeals Branch received 3,334 protests and collected over \$7.3 million. Overall, less than 5% of the cases protested to the Conference and Appeals Branch proceed to the Tax Court of New Jersey.

### Regulatory Services

The Regulatory Services Branch drafts rules, regulations and notices for publication in the *New Jersey Register* and the *New Jersey State Tax News*; acts as the Division liaison with the Office of the Attorney General on technical and regulatory issues; provides administrative and enforcement advice to Division management and staff on all tax laws under the jurisdiction of the Division; drafts proposed legislation; reviews legislation and prepares comments; provides technical assistance in the implementation of new tax laws; and analyzes, researches and responds to all taxpayers' inquiries and requests for technical advice or letter rulings.

The Branch is charged with the responsibility of coordinating the processing of all Division rules and notices. The Administrative Practice Officer within the Branch maintains contact with the Office of Administrative Law in order to oversee the promulgation of Division rules and their official publication in the *New Jersey Register*. A total of 20 rules and notices were proposed, adopted and published in fiscal year 1999.

The Branch also researched and wrote over 2,000 taxpayer advice letters and answered approximately 13,500 telephone inquiries on technical tax matters.

**The Exempt Organization Unit**, within Regulatory Services, processes and makes determinations on applications for Sales and Use Tax Exempt Organization Permits. For fiscal year 1999, the Exempt Organization Unit mailed over 1,700 applications, ruled on over 900 completed applications and issued 30 denials of exempt organization status.

**The Office of Legislative Analysis**, within Regulatory Services, is responsible for reviewing all tax bills introduced in the Legislature. It evaluates the potential administrative, fiscal and policy implications of proposals which are scheduled or likely to be scheduled for legislative action; it proposes amendments to insure that a bill can be effectively implemented, prepares bill comments and fiscal notes, and recommends positions to be taken by the State Treasurer.

In addition, OLA monitors legislative activity, determines when bills affecting the Division are scheduled for committee or house action, and tracks the progress of each bill as it proceeds through the Legislature. It works closely with the Treasurer's Office and, when a bill is enacted into law, it often initiates and participates in the implementation process.

During FY 1999 OLA:

- Monitored and tracked 646 bills relating to the Division of Taxation.
- Prepared 263 legislative recommendations and bill comments.
- Prepared 121 fiscal notes.
- Testified before various Assembly and Senate Committees.
- Provided information on New Jersey legislative tax developments to many persons and organizations seeking such information.

## Taxpayer Services

Taxpayer Services is responsible for encouraging voluntary compliance by providing taxpayers the information and assistance they need to meet their New Jersey tax responsibilities. As a result of modern technology, two out of three taxpayers used one or more of the following automated services during the year:

- **NJ PC File** is the latest use of technology to improve our services to taxpayers. NJ PC File offers taxpayers the opportunity to prepare their income tax returns on a personal computer with free software downloaded from the Division's Web site, then transmit the information directly to the Division of Taxation. Refund checks are mailed within two weeks of filing.
- **NJ TeleFile** is a quick, easy and convenient way for New Jersey residents to file their income tax returns from a Touch-tone telephone. During the 1998 tax season, over 176,000 taxpayers filed their returns by NJ TeleFile and had their refund checks mailed within two weeks.
- **Automated Tax Information System** offers taxpayers four types of assistance from a Touch-tone phone:

*Automated Refund Inquiry System* provides information about current year tax refunds (used by 354,813 taxpayers in fiscal year 1999).

*Homestead Rebate InfoLine* provides information on the status of current year homestead rebates (used by 237,279 taxpayers).

*New Jersey TaxTalk* offers prerecorded information on 77 different topics (used by 53,061 taxpayers).

*Forms Request System* allows callers to order tax forms and publications (used by 123,190 taxpayers).

- **NJ TaxFax** service makes State income tax forms and other technical information available to fax machine users. During 1999, 87,402 forms were sent to taxpayers via TaxFax.

Taxpayer Services Branch includes the following:

**Call Center.** A new, state of the art facility which, when fully staffed with over 100 agents, can handle 10,000 calls a day. All representatives now have PCs on their desks in lieu of phones and are able to receive calls, access the Division's Taxnet system and view images of tax returns through their PCs. Incoming calls are routed to agents with the corresponding skill levels and Spanish-speaking callers have the opportunity to speak with a representative who is fluent in Spanish. During fiscal year 1999, 1.7 million phone calls were received.

**Office of Communication.** The activities within the Office of Communication are:

**Correspondence Unit.** Responsible for preparing replies to general taxpayer correspondence and referrals. Almost 78% percent of the mail received is e-mail. The Correspondence Unit responded to 11,000 pieces of correspondence during the 1999 fiscal year.

**Legislative Hotline & Contact Team.** Provides assistance to New Jersey legislators seeking resolution of homestead rebate, NJ SAVER rebate and Property Tax Reimbursement problems. The unit also responds to taxpayer correspondence pertaining to these property tax relief programs. This Unit responded to 29,661 pieces of correspondence during the last fiscal year.

**Publications Unit.** Responsible for tax publications including the instructions for individual income tax returns, technical bulletins, brochures and notices, and the quarterly newsletter for tax practitioners, the *New Jersey State Tax News*.

**Taxpayer Forms Services.** Mails out forms in response to taxpayers' requests and also handles bulk mailing for special projects. During 1999, 496,035 items were mailed.

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

**Trenton Regional Office.** Open to the public as a walk-in service, the office is located in the main lobby of the Taxation Building in Trenton. Taxpayer Services representatives are available to assist taxpayers in preparing returns as well as accepting returns and payments for processing. During fiscal year 1999, this office collected revenues in the amount of \$5,804,326.

## COMPLIANCE

### Special Procedures

The Special Procedures Branch is primarily responsible for the enforcement and compliance efforts of the Division. As a result of the Activity's efforts in discovering, registering taxpayers and enforcement activities the State received \$35,037.69 in additional revenue. The specific functions of Special Procedures are as follows:

**Attorney General Referrals.** Whenever the Division has exhausted its collection remedies without success the case may be referred to the Office of the Attorney General for additional collection actions. Such actions may include domesticating the Division of Taxation's lien in another state wherein assets of the debtor may have been located and/or the instituting of wage garnishment proceedings. The Branch referred 1,555 cases to the Office of the Attorney General for collection. Collections of \$3,799,107 were received on Attorney General referral cases during fiscal year 1999.

**Bankruptcy.** The primary function of the Bankruptcy Section is to effectuate pursuit of delinquent taxes from debtors who have filed for protection under Federal or State Insolvency Statutes, by submitting Proofs of Claim to the appropriate courts of jurisdiction. The Bankruptcy Section filed 1,660 Proofs of Claim for \$46,830,337; 415 Amended Proofs of Claim for \$10,004,139.17; and 210 Administrative Proofs of Claim totaling \$3,943,707. Bankruptcy revenue for the year totaled \$7,294,695.

**Bulk Sales.** The Bulk Sales Section is responsible for examining the tax records of each business which disposes of its assets, either by sale, transfer or assignment, other than in the normal course of business. This area also issues Tax Clearance Certificates for Transfer of Retail Alcoholic Beverage Licenses. The Bulk Sales Section received 3,131 Notices of Sale during the fiscal year. Revenue for the fiscal year was \$11,582,529.

**Closing Agreements.** Under provisions of the State Tax Uniform Procedure Law, applications for compromise/settlement of tax debts are processed. The Branch approved 52 Closing Agreements. Revenue from Closing Agreement cases totaled \$2,850,092.

**Judgments.** The Judgment Section secures overdue liabilities from taxpayers who neglected or refused to pay taxes and/or file returns through normal channels. The primary enforcement vehicle is the Certificate of Debt which is filed with the Clerk of the New Jersey Superior Court. A Certificate of Debt has the same force and effect as a Docketed Judgment adjudicated in any court of law. In conjunction with 8,987 cases, the Division of Taxation

filed 20,168 Certificates of Debt in the Superior Court totaling \$210,311,699. The Judgment Section's revenue totaled \$9,511,189.

## Compliance Services

The mission of the Compliance Services Branch is consistent with the mission of the Division:

“To enforce the State's tax laws uniformly, equitably and efficiently in an effort to maximize revenues and to promote voluntary compliance within the taxing statutes.”

The Compliance Services Branch is a multi-functional Branch that provides services to the Division, to the tax-paying public and to other State agencies. The efforts of the various sections of this Branch have culminated in fiscal year collections of \$31,954,789. Some of the specific units are as follows:

**ABC Clearance Section.** This section is responsible for the issuance of the Alcoholic Beverage Retail Liquor License Clearance Certificate before the annual renewal of the license. For this fiscal year, 9,790 out of 9,990 licenses were cleared.

**Delinquency Section.** This section is responsible for securing delinquent tax returns and payments in order to bring taxpayers into compliance with regulatory filing provisions. Presently 18 of the 26 taxes administered by the Division have delinquency programs including the New Jersey Gross Income Tax. In addition, the program for Use Tax on out-of-State purchases has continued resulting in revenue of over \$30,000 this year.

**Deferred Payment Section.** This section provides an avenue for taxpayers to repay deficient taxes by way of a formal payment plan. This section administers more than 2,500 plans with monthly revenue averaging one million dollars.

**Casual Sales Section.** This section works in conjunction with the Division of Motor Vehicles to verify, assess and collect the appropriate sales tax on motor vehicles, boats and aircraft. Purchases of cars by out-of-State taxpayers are also questioned.

**Compliance Services Data Group.** This section plans, designs and implements new programs and projects for the Compliance Activity in the area of database management. Financial reports are compiled for the Branch and for the Field Investigations Branch. This group makes recommendations for the latest technology, provides support for the PCs and troubleshoots for technical problems.

**OSI Liaison.** This area is the link to OSI, a private collection agency contracted to collect delinquent and deficient

taxes for the Division. They assure that the vendor complies with Division policies and procedures; and act as facilitators between Division and OSI personnel.

This Branch also has one section responsible for the **Set-Off Program** that allows for the interception of monies paid to vendors for services and to apply said monies to deficient taxes owed by the vendor; **SOIL, Set-Off of Individual Liability**, a program designed to withhold personal gross income tax refunds and rebates from taxpayers who have tax debts; and **Lottery**, verification to the New Jersey Lottery Commission that prospective lottery agents are current in their taxes.

## Taxpayer Accounting

The Taxpayer Accounting Branch issues bills for underpayments of tax, penalty and interest, reviews bills and refund or credit requests, and responds to taxpayer inquiries regarding the status of their accounts. The Branch is comprised of the Correspondence and Review Sections for personal income tax, a Business Tax Section, and a Support Section. As a special service, Taxpayer Accounting also provides a Tax Practitioner Hotline where practitioners can call for assistance in resolving client problems that they have been unable to resolve through normal channels.

## Investigations

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

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

In fiscal year 1999, more than 10,000 cases received personal contact resulting in only 180 seizures of business assets and/or personal assets (less than 2%). Forty (40) auctions were necessary because the tax debtor was unable to make acceptable payment arrangements to redeem their assets.

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

- Region A—Newark—Essex and Hudson Counties
- Region B—Somerville—Sussex, Morris, Warren, Union, northern half of Somerset
- Region B—Fair Lawn—Bergen, Passaic
- Region C—Camden—Camden, southern half of Burlington, Gloucester, Salem
- Region C—Quakerbridge—Mercer, Hunterdon, southern half of Somerset, western half of Middlesex, northern half of Burlington
- Region D—Sea Girt—Monmouth, northern half of Ocean, eastern half of Middlesex
- Region D—Northfield—Atlantic, Cape May, Cumberland, southern half of Ocean.

The field offices also provide walk-in taxpayer service and education in every office except Quakerbridge. In fiscal year 1999 field Taxpayer Service Offices assisted 57,238 taxpayers and tax practitioners over the phone and 53,109 in person with personal income tax preparation and inquiries; billing notices; business registrations; tax-ability inquiries; form completion and distribution; accepting tax payments; Homestead Rebate, Property Tax Reimbursement and SAVER programs assistance.

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

- **Weigh Station:** With the assistance of the State Police, out-of-State commercial vehicles passing through the weigh stations are subjected to inquiry about New Jersey business activity and tax compliance.
- **Construction:** Out-of-State companies working at New Jersey construction sites are targeted for compliance with Division regulations. Investigators also verify that sales or use tax is paid on building material purchased from out-of-State vendors.
- **Boat Program:** A program is in place to determine if the appropriate sales tax has been paid on vessels owned or used in New Jersey.
- **Warehouse Project:** Companies storing inventory or leasing space in New Jersey warehouses are subject to corporate tax and possible sales tax.

- **Foreclosure Project:** This project seeks to gain the compliance from financial corporations not registered with the Division.
- **DMV Permits:** Oversized and overweight vehicle permits issued by the Division of Motor Vehicles are reviewed to identify businesses with tax problems.

All five regions utilize their statutory authority to make an immediate, on-site assessment of tax due referred to as a “jeopardy assessment” when confronted with an out-of-State vendor who failed to register their business with New Jersey, failed to file tax returns and/or failed to remit taxes due to New Jersey. Failure to satisfy the jeopardy assessment may result in immediate seizure of assets including vehicles. In fiscal year 1999, 776 jeopardy assessments were necessary and \$3,192,760 was received.

All five regions are involved in shrinking the underground cash economy. Canvassing of city business district flea markets, trade and specialty shows, arts and craft shows is conducted when the events are scheduled including weekends. In fiscal year 1999, more than 8,400 vendors were researched for tax compliance. Nine hundred ninety-six (996) new business registrations were secured and tax education provided to 12% of the vendors.

## Highlights

- A new initiative for this fiscal year is the Division’s participation in the program known as the **Federal Reciprocal Refund Offset Program**. This program will allow for the offset of Federal income tax refunds for State income tax deficiencies. This Branch will be responsible for the processing and application of funds intercepted and for providing assistance to inquiring taxpayers.
- The Vendor Set-Off Program became fully automated near the end of the fiscal year. Fiscal year-end collections for this program quadrupled to \$990,013 as compared to \$225,025 for the previous year.
- Total collections from the private vendor, OSI, were \$60,846,157.
- For fiscal year 1999, the Taxpayer Accounting Branch answered more than 105,000 pieces of correspondence and almost 36,000 phone calls; reviewed more than 51,000 bills and 66,000 refunds; made adjustments, updates, or corrections to approximately 245,000 accounts; and received more than \$8 million in payments.
- **Audit/Compliance Cash Project.** Investigations and Audit are working jointly on a Cash Audit Project focusing on various segments of the cash economy. The

cash audit process is enhanced as a result of information provided by investigators throughout the audit.

- **Audit/Compliance Nexus Project.** Another area in which Compliance and Audit have developed a coordinated response is nexus. Investigators are discovering out-of-State vendors doing business in our State and referring them to the Audit Nexus Group to determine liability for New Jersey taxes. When necessary, the investigators serve warrants of jeopardy assessment to secure payment.
- **Closing Agreements Approved.** Thirty-nine (39) Closing Agreements initiated by the Branch were approved. Collections on Closing Agreement cases totaled \$781,327.

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## PROPERTY ADMINISTRATION

Property Administration consists of two branches, Local Property and Unclaimed Property. Local Property, whose activities concern real and certain personal property, is comprised of Policy and Planning; Local Assessment Compliance; and Field Assistance. Unclaimed Property, whose activities pertain to intangible personal property and safe deposit box contents, includes the Audit Section and the Operations Section.

### Unclaimed Property

Unclaimed Property consists of financial assets, such as: savings accounts, wage checks, life insurance policies, dividends, stocks and bonds. Property is “unclaimed” when it cannot be paid or delivered to the apparent owner, and there is no communication between the holder and the apparent owner for a specified abandonment period. This program is defined in N.J.S.A. 46-30B, et seq. The Unclaimed Property Web site can be searched at the following addresses:

Claim Information —

<http://www.state.nj.us/treasury/taxation/updiscl.shtml>

Holder Information —

<https://www.unclaimedproperty.nj.gov/>

**Audit.** Audit section conducts compliance audits of major corporate holders of unclaimed property. Corporate entities audited include insurance companies, banks, brokerage firms, mutual funds, retailers, utilities, etc. The State also contracts with two audit firms for out-of-State holders.

**Operations.** *Holder Reporting Unit* receives all reports of unclaimed property that meet the abandonment criteria. The report section works with holders to assure the accuracy of reports and their correct entry onto the electronic system. Magnetic tapes are received for all reports with 500 or more records. This unit assists holders to attain compliance with unclaimed property laws.

*Claims Processing Unit* receives all claims for the return of unclaimed property. Claims are researched and prior to payment, rightful ownership is validated. Approximately 20,000 claims are received each year and about \$15 million is annually returned to New Jersey taxpayers.

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

*Intestate Estates Unit* supervises and oversees the administration of intestate (no will, no apparent heir) estates through the court appointment of an administrator. If the search for heirs is unsuccessful, the administrator turns over proceeds to the State, minus estate expenses and statutory fees. This figure averages \$2.5 million per year.

## Local Property

**Policy and Planning.** Policy and Planning Section reviews and prepares comments on proposed legislation concerning property tax issues; reviews and approves reassessment and revaluation programs and contracts; develops procedures for uniform application of senior citizens' and veterans' deductions and certifies the amounts for State reimbursement to local taxing districts; oversees the administration of the Farmland Assessment Act of 1964; in cooperation with Local Property Field Staff and the Attorney General's Office, defends the Table of Equalized Valuations; coordinates biannual Tax Assessors' Certification Exams; monitors activities of county boards of taxation in all phases of tax administration; oversees the collection and remittance of the Realty Transfer Fees by county recording officials; audits the county appeals trust fund accounts for adequate controls and proper expenditures; prepares written guidelines and materials on various property tax programs and statutes for use by assessors and county tax board members; and responds to general taxpayer inquiries, correspondence and legislative referrals regarding property tax matters.

## Local Assessment Compliance

**Railroad Property Unit** classifies, assesses and taxes railroad properties and assesses and computes railroad franchise tax.

**Tax Maps Unit** reviews and approves municipal tax maps for conformance to current specifications and as required for municipal revaluations.

**Local Assessor Compliance Unit** was established in the fall of 1997. This unit reviews certain information that pertains to municipal tax assessors. The unit also conducts periodic inspections of tax assessors' offices for compliance with statutory responsibilities. The unit will also review tax assessor offices to determine if they have proper staff and equipment in order to carry out their duties.

## Field Assistance

**Field Assistance** provides direct assistance to 566 municipal tax assessors' offices and 21 county tax boards in solving routine administrative problems. Field Staff investigates SR-1A's for sales ratio purposes; gathers evidence for the defense of Table of Equalized Valuations appeals; collects material and labor cost data for develop-

ment of improved assessment standards; assists the Transfer Inheritance Tax Bureau with appraisals for inheritance tax purposes and maintains the Real Property Appraisal Manual provided for use by New Jersey Assessors.

**Sales Ratio** oversees the Assessment-Sales Ratio Program and develops the annual Table of Equalized Valuations from the data analyzed. The Table is used in the calculation and distribution of State School Aid, to apportion county and regional school district taxes and to measure debt limits of local government units. The Table of Equalized Valuations shows the average ratio of assessed to true value of real estate for each municipality in the State.

**Technical Support** provides assistance to all municipal taxing districts, county boards of taxation and data centers certified to use the New Jersey Property Tax System, Mod IV, to produce and maintain local assessment records, and coordinates with State programmers to effect software changes in response to legislative changes.

**Education/Training.** Property Administration personnel are members of the County Tax Board and Tax Assessor's Educational Committees and take a leadership role in training, education seminars and courses which provide procedural information on new and complicated legislation, existing laws and/or procedures to improve the performance of their duties.

## Highlights

- Unclaimed Property receives approximately \$50 million in assets yearly.
- The Unclaimed Property Securities Portfolio received \$14 million in fiscal year 1999.
- 70 applications for Tax Assessors' Exams were filed.
- 17 revaluation programs were implemented in 1999 at an average cost of \$45.63 per line item and a total cost of \$3,965,344. There were 14 reassessment programs implemented in 1999.
- \$143,130,061 in Realty Transfer Fees was generated with \$71,311,293 deposited into the General Fund and \$33,520,968 credited to the Neighborhood Preservation Nonlapsing Revolving Fund for fiscal year 1999.
- \$48,681,435 in State Revenue Sharing Distribution funds was reimbursed to New Jersey's 566 municipalities on November 1, 1999. The total amount of property tax deductions for senior and disabled citizens and surviving spouses was \$31,638,337. The total amount of veterans' deductions was \$17,043,098.

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## TECHNICAL SUPPORT

Technical Support acts as a liaison between the Office of Information Technology (OIT), other State and Federal agencies, and the end users of data processing resources within Taxation, recommends and evaluates new technological concepts for the Division and aids in the automated and manual systems design required by new legislation. Support of these systems includes the use of programming like facilities such as FDF-PC, DCF, NOW, Natural and TSO. Technical Support has the general responsibility for the design and specification of all New Jersey tax forms, site inspection of prospective vendors and overall form quality assurance. In addition, the activity has responsibility for telecommunications, including the Wide Area Network (WAN) and the fiber optic equipment, supplies technical and desktop support, performs special project work, provides numerous management information reports, and maintains the TAXNET Help Desk.

The TAXNET Help Desk assists Division personnel to better utilize the Division's data systems, provides a vehicle for the identification and resolution of system problems and performs system table and file maintenance. During 1999 the TAXNET Help Desk answered 4,304 telephone calls and completed 1,611 problem notification forms and 1,795 employee changes. In addition, 777 Telecommunication Request/Problem Detail Reports involving troubleshooting, removing and installing of telephone devices or other telecommunication equipment were completed.

Technical Support reviews data processing requests for technical soundness and overall Division desirability. The Small Projects Prioritization Committee (SPPC) then sets priorities for these requests. During 1999, a total of 97 such requests were evaluated.

This activity continues to maintain various micro-based systems supporting a variety of applications throughout the Division. Included in this group are systems for the administration of Correspondence Tracking, Attorney Fee collection, and Fixed Asset Inventory.

During 1999 the Technical Support Activity assumed responsibility for the Division's training effort. Training is usually conducted in the REACH Center, the Division's in-house training facility. Two types of training are delivered; HRDI contracted classes and internally developed programs. In addition to HRDI contracted classes, Technical Support conducted 37 classes, delivering various training to approximately 400 employees. In addition, the REACH Center houses an internal lending library and software support for employees.

Technical Support also assumed responsibility for the Division's Web site, which was redesigned in February to provide a more user-friendly, easy to use vehicle for site visitors.

Technical Support participated in the change and design of many systems due to legislative and/or Division initiatives. These include:

- Continued expansion of the Internet filing program to include filing of NJ SAVER applications as well as accepting personal income tax extension requests (Form NJ-630) and allowing authorized EFT taxpayers to complete the Sales and Use Tax Quarterly Return (Form ST-50) online.
- Implementing the NJ SAVER Rebate Program including mailings, telephonic and Internet filing of the application, system development and generation of checks and notices.
- Developing a uniform format for all billing payment invoices, both business and individual, that are laser generated for standardization in processing.
- Implementation of NJ PC File, which allows taxpayers to download free software from the Division's Web site, complete their return and transmit the return for processing.
- Implementing legislation for the Property Tax Reimbursement Program which included mailing selection, matching data with MOD IV property tax files and homestead rebate file, form design and generating checks and notices.
- Continuing to assist with the consolidation of the registration and reporting functions across State agencies to simplify requirements for New Jersey businesses. Included in this effort was the Employer Quarterly Report (Form NJ-927) and the Corporation Business Tax Payment and Annual Report (Form CAR-100).
- Installing over 690 new desktop PCs throughout the Division and upgrading the hardware and software on an additional 350 existing PCs providing full functionality at the desktop, including the ability to run multiple concurrent applications such as mainframe access, image access, e-mail and Internet access.
- Developing a tracking system for checks, bills and notices for timely printing, sealing and mailing. This was done in conjunction with OMB and OIT.
- Implementing systematic changes required by legislation that revises the current calculations of certain State tax penalty provisions.

- Assisting in the implementation of payments by credit card for individual income tax payments. Using the services of US Audiotex, taxpayers are allowed to pay their income tax by credit card using a toll-free automated system.
- Assisting in a project where the Division sells judgments to a contracted vendor. This includes identifying batches of judgments based on specified criteria, creating a new TULIPS conversation for data entry purposes, creating a new TULIPS backlog to hold these cases and maintaining the integrity of these batches while the sale is pending.
- Implementing a Web site that listed the top 100 taxpayers with the largest judgments for both business taxes and individual income taxes. This project includes notifying the taxpayer prior to posting on the Web site, purifying both lists prior to posting on the Web site and refreshing the list monthly.
- Continuing to improve the *Package NJX* on CD-ROM. The disk, released annually in January, continues to be an important source for the practitioner community in helping taxpayers comply with State tax requirements.

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## CHIEF OF STAFF

The Office of the Chief of Staff is responsible for representing the Division of Taxation throughout State government as well as supplying Division wide support in the areas of Management Services, Disclosure, Fiscal matters, Personnel matters and Labor Relations.

### Management Services

The Management Services activity encompasses the responsibility of providing support in the following areas:

**Facilities Management.** Responsible for providing building maintenance and management services for 12 office buildings located throughout New Jersey, as well as coordinating maintenance and management services for the Division's out-of-State locations. Facilities Management also has the responsibility for managing and maintaining the Division's property, equipment inventory and distribution of supplies to the entire Division.

**Mail Services.** Provides pickup and delivery service of mail for the entire Division, including field offices. This office processes approximately 13 to 14 million pieces of mail annually.

**Records Management.** Responsible for the entire Division's records management and storage. Maintains a records placement and tracking system that enables Division personnel to retrieve documents and files quickly and efficiently.

### Disclosure

The Disclosure function entails many administrative duties, including responses to internal and external requests for tax records and the recommendation and implementation of exchange agreements with other agencies. Some of the agencies include the Internal Revenue Service, New Jersey State Police, Division of Criminal Justice, Division of Law, Division of State Lottery and many other states through their Departments of Revenue/Taxation. Through the mission of this function the Division of Taxation, with the cooperation of other taxing agencies throughout the United States, has been able to locate and identify tax evaders who cross state lines.

### Fiscal, Personnel and Labor Relations

The Office of the Chief of Staff works in conjunction with the Department of Treasury's Fiscal Office, Human Resources and Department of Personnel. The objectives are to coordinate, control and maintain all requests for personnel, equipment and budgetary needs and to maintain control over all personnel matters, including disciplinary and grievance actions concerning Division employees.

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## OFFICE OF CRIMINAL INVESTIGATION

The Office of Criminal Investigation is responsible for the detection and investigation of alleged criminal violations in the State tax code. In addition, the responsibility of internal security and internal control assessments falls within the jurisdiction of this area.

The activities within the Office of Criminal Investigation are:

**Office of Criminal Investigation.** Cases that indicate willful intent to evade the tax laws are developed. Based on the findings of the investigation, recommendations for criminal prosecution are made to the Attorney General's Office or to the county prosecutor. The cases are generated from projects within this activity, referrals from other functions within the Division, participation in joint investigations with prosecutors' offices and other law enforcement agencies, and concerned citizens.

OCI works closely with prosecutors and investigators at all governmental levels. Liaison activities are encouraged, and joint investigations are conducted in cases dealing with economic and financial crimes that have tax compliance consequences. Currently, OCI is also actively involved in cooperative efforts with the Internal Revenue Service, the Federal Bureau of Investigation and states within the northeast corridor.

**Cigarette Tax.** Special agents assigned to OCI have the statutory authority to investigate violations of New Jersey's cigarette tax laws. Investigative resources have been directed towards the sale of unstamped cigarettes, smuggling, counterfeiting and the location of contraband.

**Internal Security Unit.** Handles sensitive matters, including integrity investigations (attempts by outsiders to corrupt Division employees and also allegations that employees have committed ethical or criminal violations), background investigations of prospective employees, and assaults and threats by persons who impede the functions of the Division. The unit also provides training to enable new employees to recognize possible compromising situations. Examples of cases worked during the fiscal year include attempted bribery of an employee, various physical threats to employees, and other integrity matters.

### Highlights

- 81 cases were forwarded to prosecutors, 456 complaints were evaluated resulting in the initiation of 34 criminal cases. Total of 131 ongoing criminal investigations.

- 197 criminal investigations of cigarette tax violations were initiated; 74 of these cases involved the seizure of contraband cigarettes and the seizure of 1 vehicle. Seized 15,605 cartons of contraband cigarettes valued at \$507,252.
- 711 background investigations and 44 integrity investigations were conducted.

## Alcoholic Beverage Tax

### Description

The Alcoholic Beverage Tax is applied to the first sale or delivery of alcohol to retailers in New Jersey and is based upon the number of gallons sold or otherwise disposed of in the State. The tax is collected from licensed manufacturers, wholesalers, and State beverage distributors.

Sales to organizations of armed forces personnel are exempt; so are sales for medicinal, dental, industrial and other non-beverage uses.

### Rate

<i>Type of Beverage</i>	<i>Rate per Gallon</i>
Beer .....	\$0.12
Liquor .....	\$4.40
Still Wine, Vermouth, Sparkling Wine.....	\$0.70

P.L. 1997, C. 153 reduced the tax rate on hard apple ciders containing between 3.2% and 7% of alcohol by volume from \$0.70/gallon to \$0.12/gallon, effective November 1, 1997.

### Disposition of Revenues

Revenues are deposited in the State Treasury for general State use, except that beginning on July 1, 1992, \$11 million of the tax revenue is deposited annually into the Alcohol Education, Rehabilitation and Enforcement Fund.

## Atlantic City Casino Parking Fee

### Description

Casino parking facilities in Atlantic City are required under P.L. 1993, C. 159, to impose a minimum charge for a space used for parking, garaging or storing a motor vehicle in a parking facility or property owned or leased by a casino hotel or by any person on behalf of a casino hotel licensed under the "Casino Control Act."

### Rate

The minimum charge is \$2.00 a day for use of a parking space. The fee is due only once per day per vehicle.

### Disposition of Revenues

The fees collected will be placed in a special fund held by the State Treasurer. The funds will then be available to the Casino Reinvestment Development Authority to finance public improvements in the Atlantic City area.

## Atlantic City Luxury Sales Tax

### Description

The Atlantic City Luxury Sales Tax applies to the receipts from specified retail sales within Atlantic City, including sales of alcoholic beverages for on-premises consumption; cover, minimum, or entertainment charges; room rental in hotels, inns, rooming or boarding houses; hiring of rolling chairs, beach chairs and cabanas; and tickets of admission within Atlantic City.

Casual sales, sales to New Jersey or its political subdivisions, sales exempt under Federal law, and sales by a church or nonprofit charitable organization are exempt.

### Rate

The rate of tax is 3% on sales of alcoholic beverages and 9% on other taxable sales. The State sales tax rate is reduced to the extent that the city rate exceeds 6%, and the maximum combined Atlantic City rate and New Jersey rate may not exceed 12%.

### Disposition of Revenues

Revenues are forwarded to the Sports and Exposition Authority for funding and operating Atlantic City Convention facilities.

## Atlantic City Tourism Promotion Fee

### Description

Municipalities with convention center facilities supported by a local retail sales tax are authorized under P.L. 1991, C. 376, to collect fees for the promotion of tourism, conventions, resorts and casino gaming. The fee is imposed upon and is payable by all hotels, motels, rooming houses, etc., in such municipalities. Atlantic City is the only New Jersey municipality that currently qualifies under the law. For filing purposes, the tourism promotional fee is reported and paid by the taxpayer on the combined Atlantic City Luxury/State Sales Tax Return.

### Rate

The rate is \$2 per day for each occupied room in the case of hotels that provide casino gambling and \$1 per day for each occupied room in other hotels. The fee also applies to "no charge" occupancies.

### **Disposition of Revenues**

Fees are collected by the Director, certified to the State Treasurer, and distributed to the Atlantic City Convention Center Operating Authority.

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## **Cape May County Tourism Sales Tax**

### **Description**

The Tourism Improvement and Development District Act, P.L. 1992, C. 165, authorized municipalities in Cape May County to require certain businesses to collect an additional 2% retail sales tax on tourism-related retail sales and/or pay a tourism development fee. At present, businesses in Wildwood, North Wildwood and Wildwood Crest are affected.

Tourism-related sales include the following items (if also taxable under the Sales and Use Tax Act): room rental in hotels, motels or boarding houses; food and drink sold by restaurants, taverns and other similar establishments, or by caterers (but not including vending machine sales); and admission charges to amusements (amusement rides, movie theaters, sporting, drama or musical events) and cover charges in nightclubs and cabarets.

### **Rate**

The tax rate is 2% on tourism-related retail sales. The tax is in addition to the 6% State sales tax. Thus, sales subject to the Cape May Tourism and the State sales tax are taxable at 8%.

### **Disposition of Revenues**

Revenues are collected by the State Treasurer and are to be placed in a special reserve fund to pay principal and interest on bonds and notes issued by the tourism authority for tourism promotion projects and activities.

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## **Cigarette Tax**

### **Description**

The Cigarette Tax is collected primarily from licensed distributors who receive cigarettes directly from out-of-State manufacturers. Unless otherwise provided by law, every package of cigarettes must be stamped before being transferred from the original acquirer in New Jersey. This tax is not imposed on other tobacco products.

Sales to the United States Government or the Veterans Administration, and sales in interstate commerce, are exempt.

### **Rate**

The tax rate is \$0.04 per cigarette, \$0.80 for a pack of 20 cigarettes, \$1.00 for a pack of 25 cigarettes, effective January 1, 1998.

A distributor is allowed a .005625% discount on the purchase of 1,000 or more stamps or meter impressions.

### **Disposition of Revenues**

Revenues are deposited in the State Treasury for general State use. Pursuant to P.L. 1997, C. 264, initial collections of \$150 million are deposited in the Health Care Subsidy Fund.

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## **Corporation Business Tax**

### **Description**

The Corporation Business Tax Act imposes a franchise tax on a domestic corporation for the privilege of existing as a corporation under New Jersey law, and on a foreign corporation for the privilege of having or exercising its corporate charter in this State or doing business, employing or owning capital or property, or maintaining an office in New Jersey.

The tax applies to all domestic corporations and all foreign corporations having a taxable status unless specifically exempt. The tax also applies to joint-stock companies or associations, business trusts, limited partnership associations, financial business corporations, and New Jersey banking corporations, including national banks.

The tax is measured by that portion of the net income allocable to New Jersey. The tax applies to net income for the firm's accounting period (calendar year or fiscal year), or any part thereof during which the corporation has a taxable status within New Jersey.

Exempt from the tax are certain agricultural cooperative associations; building and loan associations and savings and loan associations; Federal corporations which are exempt from state taxation; corporations created under the Limited-Dividend Housing Corporation law; nonprofit cemetery corporations; nonprofit corporations without capital stock; non-stock Mutual Housing Corporations; railroad and canal corporations; sewerage and water corporations; insurance companies subject to premiums tax; international banking facilities; and certain municipal electric corporations.

**Rate**

The tax rate is 9% upon entire net income, or the portion of net income allocated to New Jersey. For tax years beginning in calendar year 1994 and thereafter, the minimum tax is:

	<i>Domestic Corporation</i>	<i>Foreign Corporation</i>
1994	\$50	\$100
1995	\$100	\$200
1996	\$150	\$200
1997	\$200	\$200

Beginning in 2002, the minimum tax will be adjusted every five years to take into account any increases in the annual average total producer price index.

The tax rate for corporations having \$100,000 or less in net income is 7.5% for 12 month privilege periods beginning on or after July 1, 1996. For a New Jersey S corporation whose taxable year began on or after January 1, 1996 and ended on or before June 30, 1998, the tax rate is 2.63%. For a New Jersey S corporation whose taxable year ends on or after July 1, 1998, the rate is 2%. For a New Jersey S corporation having \$100,000 or less in net income for a 12 month privilege period, the rates are 1.13% and 0.5%, respectively.

**Disposition of Revenues**

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

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

**History**

Corporation Business Taxes date back to 1884 when a franchise tax was imposed upon all domestic corporations. Between 1884 and 1946, the franchise tax was based upon the total amount of capital stock issued by the taxpayer and outstanding as of January 1 of each year (C. 159, P.L. 1884).

There was no franchise tax on foreign corporations prior to 1936, when provision was made for an annual tax (C. 264, P.L. 1936). This tax was replaced in 1937 (C. 25, P.L. 1937) with a new franchise tax providing for allocation of capital stock of foreign corporations.

Effective January 1, 1946 (C. 162, P.L. 1945), the tax became a net worth tax applicable to both domestic and foreign corporations and measured by net worth allocated to New Jersey. Allocation was measured by the greater of an assets factor or a three-part business factor (property, sales and payroll).

Chapter 88, Laws of 1954 increased the tax on allocable net worth from 8/10 mills per \$1 to 2 mills per \$1.

Chapter 63, Laws of 1958 amended the Corporation Business Tax Act by adding a tax at 1¾% based upon allocated net income to the tax based upon allocated net worth. The 1958 amendment also changed the tax year from a calendar year for all corporations to a privilege period coinciding with the accounting year for each taxpayer.

In 1975, the Corporation Business Tax was imposed on banking corporations and incorporated financial businesses.

In 1982, there was enacted into law a measure phasing out the Corporation Business Tax on net worth. The tax was phased out at 25% per year over a four-year period with taxpayers whose accounting or privilege periods began on or after April 1, 1983 (C. 55, P.L. 1982). The net worth tax has been eliminated for periods beginning after June 30, 1986.

Net Income Tax rates have changed as follows:

<i>Effective Date</i>	<i>Rate</i>
January 1, 1959 (C. 63, P.L. 1958)	1¾%
January 1, 1967 (C. 134, P.L. 1966)	3¼
January 1, 1968 (C. 112, P.L. 1968)	4¼
January 1, 1972 (C. 25, P.L. 1972)	5½
January 1, 1975 (C. 162, P.L. 1975)	7½
January 1, 1980 (C. 280, P.L. 1980)	9

Chapter 143, Laws of 1985 (approved April 22, 1985) allows a carryover of net operating loss as a deduction from taxpayer’s entire net income for seven years following the year of the loss for taxable years ending after June 30, 1984.

A surtax of 0.417% was invoked for privilege periods ending between July 1, 1990 and June 30, 1991; and 0.375% for privilege periods ending between July 1, 1989 and June 30, 1990 and July 1, 1991 through June 30, 1993. The 0.375% surtax on corporate net income was repealed effective January 1, 1994. The surtax had been scheduled to end July 1, 1994 (C. 3, P.L. 1994).

A jobs investment tax credit, enacted in 1993 (C. 170), allows corporations to take a credit against Corporation Business Tax and property taxes for qualified investments in new or expanded business facilities resulting in new

jobs in the State. The credit against Corporation Business Tax is for up to 50% of the portion of the tax that results from investment in new or expanded facilities. Chapter 171 allows for a credit against Corporation Business Tax for investment in qualified equipment. The credit is 2% of the cost of qualified machinery purchased (the investment credit base). Taxpayers taking the 2% equipment credit may also take an employment credit of \$1,000 per new employee (up to a maximum of 3% of the investment credit base). Chapter 175 allows for a credit for increased research activities.

Two changes in 1993 brought New Jersey corporation tax law into closer alignment with Federal corporation tax law. Chapter 172 allows corporations to use the Federal modified accelerated cost recovery system for depreciation of property under the New Jersey Corporation Business Tax for property placed in service for accounting years beginning after July 7, 1993. Chapter 173 allows, for the first time, an S election to be made under New Jersey law. As noted above, a New Jersey S corporation pays a reduced tax rate on that portion of entire net income not subject to Federal corporate income tax. The shareholder is taxed on net pro rata share of S corporation income under the gross income tax.

The allocation formula for multistate corporations was changed in 1995. Under prior law, multistate corporation income was allocated to New Jersey based on equally weighted New Jersey property, payroll and sales compared to total property, payroll and sales. The new formula counts sales twice, so that sales account for half the allocation formula (C. 245, P.L. 1995). The legislature continued to provide additional tax benefits for corporation business taxpayers. These include a tax benefit certificate transfer program to assist certain emerging companies (C. 334, P.L. 1997), the Small New Jersey Based High Technology Business Investment Tax Credit Act (C. 349, P.L. 1997), the carryforward of net operating losses under the Corporation Business Tax for certain taxpayers (C. 350, P.L. 1997), the extension of the carryforward of the research and development tax credit (C. 351, P.L. 1997), and the Neighborhood and Business Child Care Tax Incentive Program (C. 102, P.L. 1999). Electric and telephone companies are now subject to the Corporation Business Tax effective January 1, 1999.

### **Installment Payments of Estimated Tax**

Taxpayers are required to make installment payments of Estimated Tax. The requirement for making these payments is based on the amount of the Total Tax Liability shown on the most recent return.

- (a) If the Total Tax Liability is \$500 or more, the taxpayer must make installment payments. These payments are due on or before the 15th day of the 4th, 6th, 9th and 12th month of the tax year.
- (b) If the Total Tax Liability is less than \$500, installment payments may be made as shown in (a) above or, in lieu of making installment payments, the taxpayer may make a payment of 50% of the Total Tax Liability.

### **Banking and Financial Corporations**

Banking and financial corporations are subject to the Corporation Business Tax Act at the rate of 9% on net income.

Chapter 170, P.L. 1975 provides that during each of privilege years 1976, 1977 and 1978, the amount paid by each banking corporation as taxes shall be the greater of (1) the amount which such banking corporation paid in calendar year 1975 as Bank Stock Tax, or (2) a sum equal to total of taxes paid by such banking corporation as Corporation Business Tax and Business Personal Property Tax.

Formerly, banks were subject to a tax of 1.5% on net worth under the Bank Stock Tax Act. Bank Stock Tax was formerly administered by the Division of Taxation and the 21 separate County Boards of Taxation. The corporate tax upon banks is now solely administered by the Division.

Financial business corporations were formerly subject to the Financial Business Tax. These included such corporations as small loan companies and mortgage finance companies which are now subject to the Corporation Business Tax.

Chapter 171, P.L. 1975 provides that during each of the years 1976, 1977 and 1978, each financial business corporation shall pay as taxes, the greater of (1) a sum equal to the amount such financial business corporation paid under the Financial Business Tax Act in the calendar year 1975, or (2) a sum equal to the total of the taxes payable by such financial business corporation pursuant to the Corporation Business Tax Act. Chapter 40, P.L. 1978 extended the save harmless provision through 1979. It expired in 1980. As a result of changes in the Federal and State banking laws, interstate banking is now permitted (P.L. 1996, C. 17). An administrative rule adopted by the Division of Taxation (N.J.A.C. 18:7-1.14, effective June 16, 1997) sets forth certain conditions under which foreign banks and certain domestic banks will be taxed in New Jersey.

### Investment Companies

Investment companies and regulated investment companies are subject to tax under special allocation formulas.

A taxpayer qualifying and electing to be taxed as an investment company is subject to an allocation percentage of 25% of the net income base. These investment companies are subject to a minimum tax of \$250.

*Regulated Investment Company* means any corporation which, for a period covered by its reports, is registered and regulated under the Investment Company Act of 1940 (54 Stat. 789), as amended.

The Corporation Business Tax on regulated investment companies was eliminated (P.L. 1983, C. 75), approved on February 24, 1983. Regulated investment companies in New Jersey were formerly taxed on both entire net worth and entire net income. These taxes are now eliminated and a flat tax of \$250 per year is imposed.

Real estate investment trusts qualifying and electing to be taxed as such under Federal law are taxed at 4% of entire net income.

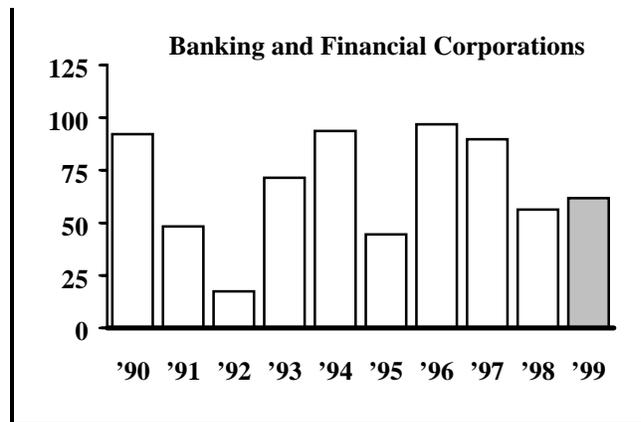
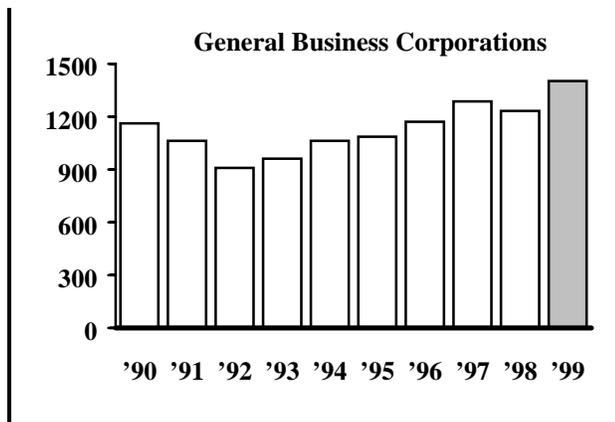
### Deferred Pre-Dissolution Payment

Chapter 367, P.L. 1973, approved in 1974, eliminates the requirement for a certificate obtained in case of merger or consolidation involving a domestic or foreign corporation qualified to transact business in New Jersey. It also provides alternatives to actual payment of taxes, or payment on account of such taxes by providing in lieu thereof, for a written undertaking to be given by a domestic corporation, or a foreign corporation authorized to transact business in New Jersey, to pay all taxes when payable on behalf of a corporation which otherwise would have to pay all taxes prior to taking certain corporate actions.

### Allocation Factor

If the taxpayer had a regular place of business outside New Jersey, its tax liability is measured by net income allocated to New Jersey, according to a four-fraction formula based on an average of property, payroll and sales, which is counted twice. The factor is computed by adding the percentage of the property and payroll fractions, and a fraction representing two times the sales receipts, and dividing the total by four.

### Corporation Business Tax Collections (In Millions)



Fiscal Year	Collections
1990	\$1,162,835,737
1991	1,063,089,390
1992	909,618,920
1993	960,753,965
1994	1,063,141,745
1995	1,085,502,032
1996	1,171,509,159
1997	1,286,447,475
1998	1,231,629,172
<b>1999</b>	<b>1,402,906,622</b>

Fiscal Year	Collections
1990	\$92,089,805
1991	48,200,249
1992	17,411,936
1993	71,375,391
1994	93,738,713
1995	44,499,198
1996	96,860,000
1997	89,716,792
1998	56,234,674
<b>1999</b>	<b>61,716,112</b>

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## Corporation Income Tax

### Description

Corporation Income Tax applies to corporations deriving income from sources within the State which are not subject to the tax imposed under the Corporation Business Tax Act. However, the tax has become practically obsolete due to Corporation Business Tax regulations as well as New Jersey's adoption of the Multistate Tax Commission's guidelines and the U.S. Supreme Court decision, *Quill Corp. v. North Dakota*, 112 S.Ct. 1904 (1992), as well as the New Jersey Tax Court decision in *Pomco Graphics v. Division of Taxation*, 13 N.J. Tax 578 (1993).

### Rate

The tax rate is 7¼% of entire net income or such portion as is allocable to New Jersey.

### Disposition of Revenues

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

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## Gross Income Tax

### Description

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

### Rate

Rates for tax years beginning on or after January 1, 1991 but before January 1, 1994 ranged from 2% – 7%. For tax years beginning on or after January 1, 1994 but before January 1, 1995, rates were reduced to 1.9% – 6.65%. For tax years beginning on or after January 1, 1995 but before January 1, 1996, rates were reduced to 1.7% – 6.58%, and for tax years beginning on or after January 1, 1996 rates were reduced to 1.4% – 6.37%. See charts on the next page.

### Exemptions

- Taxpayer, \$1,000.
- Taxpayer's spouse who does not file separately, \$1,000.
- Taxpayer 65 years old or more, additional \$1,000; same for spouse age 65 or older who does not file separately.
- Blind or totally disabled taxpayer, additional \$1,000; same for blind or totally disabled spouse who does not file separately.

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

### Deductions

- Payments of alimony or for separate maintenance are deductible by the payer if reported as income by the payee.
- Unreimbursed medical expenses in excess of 2% of gross income and qualified medical savings account contributions.
- Property tax deduction (or credit).

### Credits

- Payments of income or wage tax imposed by another state (or political subdivision) or by the District of Columbia, with respect to income subject to tax under this Act. This shall not exceed the proportion of tax otherwise due that the amount of the taxpayer's income bears to the taxpayer's entire New Jersey income.
- Amounts withheld by an employer and payments of estimated tax.
- Amounts paid by an S corporation on behalf of a shareholder.
- Excess unemployment and disability insurance contributions withheld.
- Property tax credit (or deduction).

### Withholding Requirement

All employers and others who withhold New Jersey income tax are required to file quarterly returns of tax withheld and to remit tax on a monthly, quarterly or weekly basis.

Those with prior year withholdings of \$20,000 or more are required to remit the income tax withheld by means of Electronic Funds Transfer (EFT) on or before the Wednesday of the week following the week containing the pay-day(s) on which taxes were withheld.

### Disposition of Revenues

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

**Filing Status: Married, Filing Joint Return or Head of Household or Qualifying Widow(er)****Taxable Income\*****Tax Rates**

	1991-1993	1994	1995	1996 and later
<i>over but not over</i> \$ 0 – \$20,000	2%	1.9%	1.7%	1.4%
20,000 – 50,000	\$400 plus 2.5% of excess over \$20,000	\$380 plus 2.375% of excess over \$20,000	\$340 plus 2.125% of excess over \$20,000	\$280 plus 1.750% of excess over \$20,000
50,000 – 70,000	\$1,150 plus 3.5% of excess over \$50,000	\$1,092.50 plus 3.325% of excess over \$50,000	\$977.50 plus 2.975% of excess over \$50,000	\$805 plus 2.450% of excess over \$50,000
70,000 – 80,000	\$1,850 plus 5% of excess over \$70,000	\$1,757.50 plus 4.750% of excess over \$70,000	\$1,572.50 plus 4.250% of excess over \$70,000	\$1,295.50 plus 3.500% of excess over \$70,000
80,000 – 150,000	\$2,350 plus 6.5% of excess over \$80,000	\$2,232.50 plus 6.175% of excess over \$80,000	\$1,997.50 plus 6.013% of excess over \$80,000	\$1,645 plus 5.525% of excess over \$80,000
150,000	\$6,900 plus 7% of excess over \$150,000	\$6,555 plus 6.650% of excess over \$150,000	\$6,206.60 plus 6.580% of excess over \$150,000	\$5,512.50 plus 6.370% of excess over \$150,000

**Filing Status: Single or Married, Filing Separate Return and Estates or Trusts****Taxable Income\*****Tax Rates**

	1991-1993	1994	1995	1996 and later
<i>over but not over</i> \$ 0 – \$20,000	2%	1.9%	1.7%	1.4%
20,000 – 35,000	\$400 plus 2.5% of excess over \$20,000	\$380 plus 2.375% of excess over \$20,000	\$340 plus 2.125% of excess over \$20,000	\$280 plus 1.750% of excess over \$20,000
35,000 – 40,000	\$775 plus 5% of excess over \$35,000	\$736.25 plus 4.750% of excess over \$35,000	\$658.75 plus 4.250% of excess over \$35,000	\$542.50 plus 3.500% of excess over \$35,000
40,000 – 75,000	\$1,025 plus 6.5% of excess over \$40,000	\$973.75 plus 6.175% of excess over \$40,000	\$871.25 plus 6.013% of excess over \$40,000	\$717.50 plus 5.525% of excess over \$40,000
75,000	\$3,300 plus 7% of excess over \$75,000	\$3,135 plus 6.650% of excess over \$75,000	\$2,975.80 plus 6.580% of excess over \$75,000	\$2,651.25 plus 6.370% of excess over \$75,000

\*For tax years beginning before January 1, 1994, filers with incomes of \$3,000 or less for the entire year (\$1,500 or less for married persons filing separately) pay no tax. For the 1994 to 1998 tax years, filers with incomes of \$7,500 or less for the entire year (\$3,750 or less for married persons filing separately) pay no tax. For the 1999 tax year, filers with incomes of \$10,000 or less for the entire year (\$5,000 or less for married persons filing separately) pay no tax.

**History**

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

Pension income for those eligible for Social Security by reason of age (62 years or over) or disability is exempt as follows: first \$10,000 for a married couple filing jointly; \$5,000 for a married person filing separately; and \$7,500 for a single taxpayer (C. 40, P.L. 1977). Chapter 273, P.L. 1977 extended the exclusion allowed for pensions to other

types of retirement income. The exclusion applies to taxpayers who are 62 years of age or older and whose earned income is not more than \$3,000. An additional exclusion was provided for taxpayers age 62 or older who are not covered by either Social Security or Railroad Retirement benefits.

C. 229, P.L. 1982 increased the rate from 2½% to 3½% on amounts in excess of \$50,000 effective January 1, 1983.

Property taxes paid on the taxpayer's homestead became deductible from residents' taxable income effective for taxes paid after 1984 (C. 304, P.L. 1985).

C. 219, P.L. 1989 exempted pension and annuity income of nonresidents from the Gross Income Tax.

The Gross Income Tax Act was amended in 1990 to include new graduated rates (from 2% to 7%) and two new filing statuses (head of household and surviving spouse). The legislation also increased the amount of the exemption for dependents from \$1,000 to \$1,500. In addition to these amendments, the legislation instituted a new homestead rebate program and repealed the residential property tax deduction and credit and tenant credit. The legislation extended to heads of household and surviving spouses the exclusion of up to \$7,500 of pension and annuity income. These changes took effect in 1990. The new tax rates became effective January 1, 1991 (C. 61, P.L. 1990).

C. 108, P.L. 1993 permitted an exemption from an employee's gross income for employer-provided commuter transportation benefits.

State benefits received for a family member with a developmental disability were removed from the definition of income for State tax purposes in 1993 (C. 98, P.L. 1993).

C. 173, P.L. 1993 included Subchapter S corporation income in the New Jersey gross income tax base, effective with taxable years beginning after July 7, 1993.

C. 178, P.L. 1993 changed the method of computing the income of nonresidents for purposes of New Jersey gross income tax. For tax years beginning in 1993 and thereafter, a nonresident with income from New Jersey must compute gross income tax liability as though a resident, and then prorate the liability by the proportion of New Jersey source income to total income. Formerly, the calculation was based only on New Jersey source income.

A 5% reduction in the gross income tax rates (to 1.9% – 6.650%) was enacted for tax year 1994 (C. 2, P.L. 1994).

The gross income filing threshold was increased to \$7,500 from \$3,000 for individuals, heads of households, surviving spouses, married persons filing jointly and estates and trusts. (The threshold is \$3,750 for married persons filing separately.) (C. 8, P.L. 1994.)

The State reduced the gross income tax rates for taxable years 1995 and thereafter. These rate reductions, combined with the 5% rate reductions for all brackets enacted as P.L. 1994, C. 2, resulted in cumulative decreases from the 1993 taxable year levels of 15%, 7.5% and 6% for certain income brackets (C. 69, P.L. 1994).

Gross income tax rates were reduced again for taxable years 1996 and thereafter. In combination with the prior two rate reductions, the cumulative decrease from the 1993 taxable year was 30% for the lowest, 15% for the middle, and 9% for the highest income brackets. Tax rates now range from 1.4% to 6.37% (C. 165, P.L. 1995).

A property tax deduction/credit is provided on State income tax returns for resident homeowners and tenants who pay property taxes, either directly or through rent, on their principal residence in New Jersey. Benefits were phased in over a three-year period, beginning with 1996 returns (C. 60, P.L. 1996). For tax years 1998 and thereafter, taxpayers may take the larger of either a \$50 tax credit or a deduction of up to \$10,000 for property taxes paid.

C. 237, P.L. 1997, exempts New Jersey Better Educational Savings Trust account earnings and qualified distributions.

C. 414, P.L. 1997, exempts contributions to medical savings accounts that are excludable under section 220 of the Federal Internal Revenue Code, effective for tax years beginning on or after January 1, 1998.

C. 3, P.L. 1998 amended the Gross Income Tax Act to adopt the new Federal exclusions of up to \$500,000 in gain from the sale of a principal residence.

C. 57, P.L. 1998, provides a Roth IRA exclusion from taxable income that follows the Federal treatment of Roth IRAs and certain rollovers to IRAs.

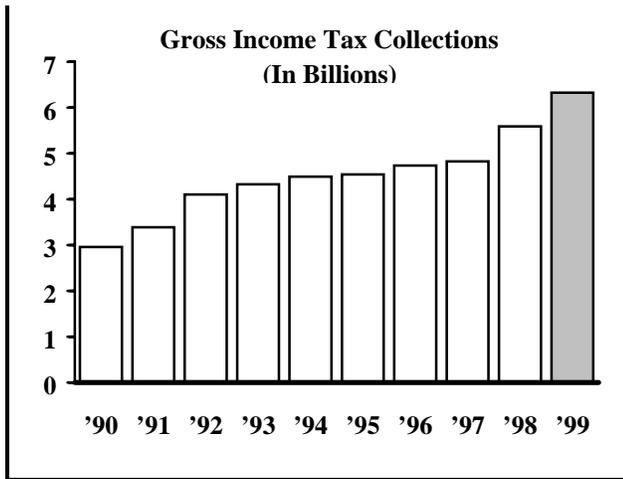
C. 409, P.L. 1998, exempts military pensions or military survivors' benefits paid to those 62 years of age or older, or disabled under the Federal Social Security Act, effective beginning with tax year 1998.

C. 106, P.L. 1998, raised the threshold for being required to pay estimated tax to \$400 in estimated tax, effective for the 1999 tax year.

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

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

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



Fiscal Year	Collections
1990	\$2,957,634,330
1991	3,391,026,222 <sup>1</sup>
1992	4,101,895,000
1993	4,325,304,359
1994	4,493,659,929 <sup>2</sup>
1995	4,540,081,765 <sup>3</sup>
1996	4,733,786,100 <sup>4</sup>
1997	4,825,410,635
1998	5,590,578,933
<b>1999</b>	<b>6,323,893,129</b>

<sup>1</sup> Rates increased to 2% – 7% effective January 1, 1991.

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

<sup>3</sup> Rates reduced to 1.7% – 6.58% effective January 1, 1995.

<sup>4</sup> Rates reduced to 1.4% – 6.37% effective January 1, 1996.

## Homestead Rebate Program

Chapter 61, P.L. 1990 created a new Homestead Property Tax Rebate program to provide rebates for both homeowners and tenants. The new program replaced certain other direct property tax relief programs: (1) the original Homestead Rebate program (C. 72, P.L. 1976) which provided rebates to homeowners; (2) the residential property tax deduction and credit provided to both homeowners and tenants on their income tax returns under C. 304, P.L. 1985; and (3) the tenant credit program (C. 47, P.L. 1976, as amended).

The application for the new Homestead Property Tax Rebate was combined with the resident income tax return beginning with the tax return for 1990, and benefits were

linked to income level and amount of property tax paid. Under this program rebates ranged from \$100 to \$500 for homeowners, and \$35 to \$500 for tenants, depending on the applicant’s filing status, gross income, and the amount of property tax paid, either directly or through rent. Those with incomes over \$100,000 were not eligible for a rebate.

The State Budgets adopted by the Legislature since 1992, limited the amount of the Homestead Rebate paid to some taxpayers. Under the budget restrictions, only taxpayers who were 65 years old, blind or disabled were eligible to receive rebates of \$100 to \$500 (homeowners) or \$35 to \$500 (tenants), provided that their gross income did not exceed \$100,000. For other taxpayers, rebates were limited to those with a gross income of \$40,000 or less, with a standard rebate amount of \$90 for homeowners and \$30 for tenants. Those with gross incomes over \$40,000 were no longer eligible for a rebate.

In November 1992 the New Jersey Tax Court ruled that anyone who resides in a dwelling which does not pay local property tax is not entitled to a Homestead Property Tax Rebate. This includes tenants living in subsidized housing or other dwellings owned by the State, County, Municipal or Federal government; students living in on-campus apartments at State colleges and universities; and tenants living in dwellings owned by religious, charitable or other nonprofit organizations, including on-campus apartments at private nonprofit colleges and universities, if the property is exempt from local property taxes. Permanently and totally disabled veterans and their surviving spouses who do not pay property taxes are also ineligible for rebates.

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

This same legislation increased the homestead rebate income threshold for tenants to \$100,000 and set the income threshold at \$40,000 for homeowners who are not 65 or older or blind or disabled. For 1998, tenants who were under 65, not blind or disabled and had income between \$40,000 and \$100,000 were eligible to receive a \$30 homestead rebate provided they filed a homestead rebate application by June 15, 1999. This amount will increase to \$100 over a five-year period.

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## Insurance Premiums Tax

### Description

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

### Rate

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

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

### Disposition of Revenues

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

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

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## Landfill Closure and Contingency Tax

### Description

This tax is levied upon the owner or operator of every sanitary landfill facility located in New Jersey on all solid waste accepted for disposal on or after January 1, 1982. In addition, the owner or operator must make a monthly payment of \$1.00 per ton or \$0.30 per cubic yard for the host community benefit surcharge for all solid waste accepted for disposal.

### Rate

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

### Disposition of Revenues

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

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## Litter Control Tax

### Description

The Litter Control Tax is imposed on all gross receipts from sales of litter-generating products sold within or into New Jersey by each person engaged in business in the State as a manufacturer, wholesaler, distributor or retailer of such products. Any retailer with less than \$250,000 in annual retail sales of litter-generating products is exempt from this tax.

Litter-generating products include beer, cigarettes, cleaning agents and toiletries, distilled spirits, food, glass containers, metal containers, groceries, tires, newsprint and magazine paper stock, nondrug drugstore sundry products, paper products, plastic and fiber containers, soft drinks, and wine. The tax expires December 31, 2000.

### Rate

Manufacturers, wholesalers and distributors of litter-generating products pay a tax of  $\frac{3}{100}$  of 1% (.03%) on all gross receipts from wholesale sales of such products in New Jersey. Retailers are taxed at the rate of  $\frac{2.25}{100}$  of 1% (.0225%) on all gross receipts from retail sales of litter-generating products.

## Disposition of Revenues

Revenues are deposited in the Clean Communities Account Fund.

# Local Property Tax

## Description

An *ad valorem* tax—The local property tax is measured by property values and is apportioned among taxpayers according to the assessed value of taxable property owned by each taxpayer. The tax applies to real estate and tangible personal property of telephone, telegraph and messenger systems companies.

A *local tax*—The property tax is a local tax assessed and collected by municipalities for the support of municipal and county governments and local school districts. No part of it is used for support of State government.

*Amount of tax* (a residual tax)—The amount of local property tax is determined each year, in each municipality, to supply whatever revenue is required to meet budgeted expenditures not covered by monies available from all other sources. School districts and counties notify municipalities of their property tax requirements. Municipalities add their own requirements and levy taxes to raise the entire amount. As a residual local tax, the total property tax is determined by local budgets and not by property valuations or tax rates.

*Property assessment* (the tax base)—All taxable property is assessed (valued for taxation) by local assessors in each municipality. Assessments are expressed in terms of “taxable value,” except for qualified farm land, which is specially valued.

## Rate

The local property tax rate is determined each year in each municipality by relating the total amount of tax levy to the total of all assessed valuations taxable. Expressed in \$1 per \$100 of taxable assessed value, the tax rate is a multiplier for use in determining the amount of tax levied upon each property. See Appendix A for the 1998 general and effective property tax rates in each municipality.

## Disposition of Revenues

This tax is assessed and collected locally by the taxing districts for support of county and municipal governments and local school district purposes.

## History

It may be said that the property tax originated in 1670 with a levy of one half penny per acre of land to support the central government. Through the middle of the 19th century property taxes were levied upon real estate and upon certain personal property at arbitrary rates within certain limits called “certainties.” In 1851 the concepts of a general property tax and uniform assessments according to actual value were developed (Public Laws 1851, p. 273).

For almost a century following the 1851 legislation, a continuing effort was made to accomplish uniform taxation under a general property tax. In 1875 a constitutional amendment provided that “property shall be assessed for taxes under general laws and by uniform rules according to its value” (Article IV, Section VII, Paragraph 12). Courts held that the 1875 amendment permitted classification of property for tax purposes and also exemption of other certain classes from taxation, or the substitution of other kinds of tax “in lieu.” Thus began a long period of erosion of the “general property tax” concept. In 1884 a State Board of Assessors was created and given responsibility for assessment of railroad and canal property, thus setting the pattern for State assessment of certain classes of property.

Intangible personal property was eliminated from the “general property tax base” in 1945 (replaced with a corporation net worth tax). Such elimination shifted the emphasis for tax reform to tangible personal property.

The New Jersey State Constitution adopted in 1947 provided that “property shall be assessed for taxation under general law and by uniform rules. All real property assessed and taxed locally or by the State for allotment and payment to taxing districts shall be assessed according to the same standard of value, except as otherwise permitted herein, and such property shall be taxed at the general tax rate of the taxing district in which the property is situated, for the use of such taxing district” (Article VIII, Section I).

This Article was interpreted to preclude any classification of real estate but to leave the door open for classified taxes upon personal property. In 1963 the Constitution was amended to permit assessment of farm property according to its value for agricultural use only. Chapter 51, Laws of 1960 (effective for tax year 1965) provided for such classification and also provided other significant modifications.

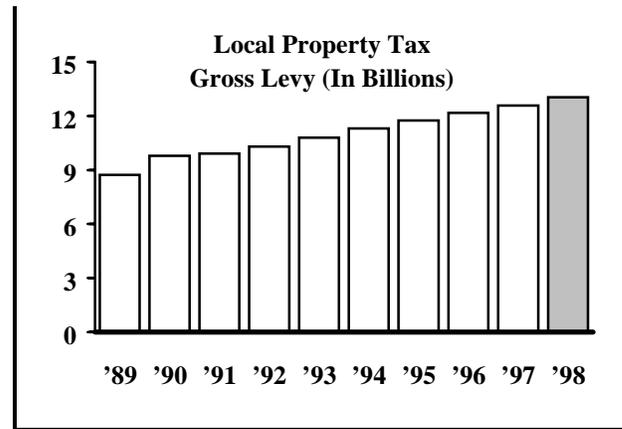
Personal property provisions of Chapter 51, Laws of 1960 were replaced by Chapter 136, Laws of 1966. For taxes payable in 1968 and until 1993, personal property used in business (other than the businesses of local exchange telephone, telegraph and messenger system companies and

other public utilities) was subject to the Business Personal Property Tax instead of the local tax. Personal property is no longer subject to any property tax and inventories of all businesses are excluded from property taxation.

The 1966 law also provided for replacement of local personal property tax revenues from four tax sources: (1) Retail Gross Receipts Tax, (2) Corporation Business (Net Income) Tax, (3) Business Personal Property Tax and (4) Unincorporated Business Tax. This revenue replacement program was terminated (C. 3, P.L. 1977). Legislation was passed providing for an annual appropriation of not less than \$158.7 million.

The decision in *Switz v. Middletown Township, et al.*, 23 N.J. 580 (1957) required that all taxable property be assessed at "true value" (100% assessment). This was the beginning of a series of New Jersey court decisions which have been a major factor in development of uniform real estate tax assessment.

A long period of legislative history has developed numerous exemptions and various special property tax treatments. These are found principally in R.S. 54:4-3.3 and in R.S. 54:4-3.6. Generally exempt are government-owned property, and property of religious, educational, charitable and various types of non-profit organizations. In addition, qualified veterans and senior citizens are permitted tax deductions of \$50 and \$250, respectively.



Fiscal Year	Gross Tax Levy
1989	\$ 8,726,832,862
1990	9,782,223,329
1991	9,921,553,312
1992	10,324,378,978
1993	10,757,596,440
1994	11,286,354,001
1995	11,746,914,124
1996	12,177,920,307
1997	12,579,899,717
<b>1998</b>	<b>13,040,191,871</b>

## Motor Fuels Tax

### Description

A tax on motor fuels is applied to sales of gasoline, diesel fuel or liquefied petroleum gas and compressed natural gas used in motor vehicles on public highways.

### Rate

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

The diesel fuels tax rate is \$0.135 per gallon, of which \$0.03 per gallon is refundable for fuel used in passenger automobiles and motor vehicles of less than 5,000 pounds gross weight (C. 73, P.L. 1984, effective September 1, 1985).

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

### Disposition of Revenues

Revenues are deposited in the State Treasury. An appropriated amount pursuant to C. 460, P.L. 1988 and C. 73,

P.L. 1984 is annually apportioned to the Transportation Trust Fund for maintenance of the State's transportation system.

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## NJ SAVER Rebate Program

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

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

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

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## Petroleum Products Gross Receipts Tax

### Description

The Petroleum Products Gross Receipts Tax is imposed on all companies engaged in refining and/or distributing petroleum products for distribution in this State. It applies to the first sale, not for export, of petroleum products within New Jersey.

Home heating oil (including #2, #4 and #6 heating oils), and propane gas and kerosene used for residential heating are exempt from tax. Also exempt from tax are receipts from sales of petroleum products used by marine vessels

engaged in interstate or foreign commerce; receipts from sales of aviation fuels used by airplanes in interstate or foreign commerce other than burnout portion; receipts from sales of asphalt and polymer grade propylene used in the manufacture of polypropylene; receipts from sales to nonprofit entities qualifying for exemption under the Sales and Use Tax Act; and receipts from sales to the United States or the State of New Jersey.

### Rate

The petroleum products tax is imposed at the rate of 2¾% on gross receipts from the first sale of petroleum products in New Jersey. This rate is converted by a formula to a cents-per-gallon basis and adjusted semi-annually to be at or above \$0.04/gallon. The current rate through December 31, 1999 is \$0.04 per gallon.

### Disposition of Revenues

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

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## Property Tax Reimbursement Program

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

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

The income requirement will increase in subsequent years by the amount of the maximum Social Security benefit cost of living increase for that year. Applicants must meet all requirements for both their base year and the year for

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

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## Public Community Water System Tax

### Description

The Public Community Water System Tax is levied upon the owner or operator of every public community water system in New Jersey based upon water delivered to consumers, not including water purchased for resale, on or after April 1, 1984.

### Rate

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

### Disposition of Revenues

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

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## Public Utility Franchise Tax

### Description

Public Utility Franchise Tax applies to all identified utility entities having lines or mains located in, on, or over any public thoroughfare. Utilities subject to taxation include water and sewerage companies.

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

### Administration

Franchise tax is collected by the State for distribution to municipalities together with the gross receipts tax distribution. The tax levied against water and sewer companies is payable to the State in three installments.

### Rate

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

### Disposition of Revenues

Revenues are for local use. The tax is distributed to the municipalities under the Energy Tax Receipts Property Tax Relief Fund in accordance with P.L. 1997, C. 167.

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## 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 corporations in New Jersey.

### Administration

Public Utility Gross Receipts Tax is collected by the State for distribution to municipalities together with the Franchise Tax distribution. The tax is payable by the State to the tax collectors in three installments: July 5, September 1, and December 1 of the tax year.

### Rate

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

### Disposition of Revenues

Revenues are for local use. The tax is distributed to the municipalities under the Energy Tax Receipts Property Tax Relief Fund in accordance with P.L. 1997, C. 167.

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## Public Utility Excise Tax

### Description

Public Utility Excise Tax is an additional 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 utilities except telephone and telegraph (0.5% for telephone and telegraph).

## Disposition of Revenues

Revenues are for local use. The tax is distributed to the municipalities under the Energy Tax Receipts Property Tax Relief Fund in accordance with P.L. 1997, C. 167.

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## Railroad Franchise Tax

### Description

The Railroad Franchise Tax is levied upon railroads (or systems of railroads) operating within New Jersey. The tax base is that portion of the road's (or system's) net railway operating income of the preceding year allocated to New Jersey. The allocating factor is the ratio of the number of miles of all track in this State to the total number of miles of all track over which the railroad or system operates.

### Rate

Railroad Franchise Tax is assessed at the rate of 10% upon the net railway operating income of the preceding year allocated to New Jersey. The minimum is \$100 for taxpayers having total railway operating revenues in the preceding year of less than \$1 million and \$4,000 for taxpayers with operating revenues in excess of \$1 million in the preceding year.

### Disposition of Revenues

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

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## Railroad Property Tax

### Description

Railroad Tax Law of 1948 as amended distinguishes three classes of property:

Class I: "Main stem" roadbed—that not exceeding 100 feet in width.

Class II: All other real estate *used for railroad purposes* including roadbed other than "main stem" (Class I), tracks, buildings, water tanks, riparian rights, docks, wharves, piers. Excluded is "tangible personal property": rolling stock, cars, locomotives, ferryboats, all machinery, tools. Facilities used in passenger service are also excluded, being defined as Class III property.

Class III: Facilities used in passenger service: land, stations, terminals, roadbeds, tracks, appurtenances, ballast and all structures used in connection with rendering pas-

senger service, including signal systems, power systems, equipment storage, repair and service facilities (N.J.S.A. 54:20A-2).

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

### Exemptions

Main stem (Class I), tangible personal property and facilities used in passenger service (Class III) are exempt from tax.

### Rate

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

### Disposition of Revenues

Revenues are deposited in the State Treasury for general State use. However, under legislation adopted in 1966, the municipalities where railroad property is located are guaranteed the return of certain replacement revenues. No State aid has been paid since calendar year 1982, except for 1984–1994 payments to those municipalities in which Class II railroad property owned by New Jersey Transit Corporation is located (P.L. 1984, C. 58).

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## Realty Transfer Fee

### Description

The realty transfer fee is imposed upon the recording of deeds evidencing transfers of title to real property in the State of New Jersey. The realty transfer fee is calculated based on the amount of consideration paid.

The realty transfer fee does not apply to the following transfers: consideration of less than \$100; by or to any government; made solely to provide or release debt security; which confirm or correct a deed previously recorded; on a sale for delinquent taxes; on partition; by a receiver, trustee in bankruptcy or liquidation, or assignee for the benefit of creditors; eligible to be recorded as "ancient deeds"; acknowledged or proved on or before July 3, 1968; between husband and wife or parent and child; conveying a cemetery plot; in specific performance of a final judgment; releasing a right of reversion; transfers on which tax was previously paid; to effect distribution of an estate; or as a result of a divorce decree.

Two types of transfers of real property are exempt from the State portion of the realty transfer fee (\$1.25 of the \$1.75 for each \$500 of consideration):

- (1) The sale of one or two-family residential premises which are owned and occupied by a senior citizen (62 years of age or older), blind person, or disabled person who is the seller in such transaction shall be exempt from payment of \$1.25 for each \$500 of consideration of the fee imposed.
- (2) The sale of low and moderate income housing as defined by Chapter 225, P.L. 1985 shall be exempt from payment of \$1.25 for each \$500 of consideration of the fee imposed.

Transfers of title to real property upon which there is new construction are exempt from payment of \$1 for each \$500 not in excess of \$150,000. "New Construction" means any conveyance or transfer of property upon which there is an entirely new improvement not previously occupied or used for any purpose.

### **Rate**

The realty transfer fee is imposed upon the seller at the rate of \$1.75 for each \$500 of consideration; an additional fee of \$0.75 is imposed for each \$500 of consideration in excess of \$150,000.

### **Disposition of Revenues**

The proceeds of the realty transfer fees collected by the county recording officer shall be accounted for and remitted to the county treasurer. An amount equal to 28.6% of the proceeds from the first \$1.75 for each \$500 of consideration recited in the deed shall be retained by the county treasurer for use of the county and the balance shall be paid to the State Treasurer. The amount retained by the county treasurer for the use of the county equals \$0.50 for each \$500 of consideration. The rest of the tax revenues, \$1.25 for each \$500 of consideration, are paid to the State Treasurer for the use of the State.

The first \$25 million of the State share of the realty transfer fee is dedicated to shore protection projects, the revenue to be deposited in the Nonlapsing Shore Protection Fund.

All amounts paid to the State Treasurer in payment of the additional fee of \$0.75 for each \$500 of consideration recited in the deed in excess of \$150,000 shall be credited to the Neighborhood Preservation Nonlapsing Revolving Fund. In fiscal year 1999, \$33,520,968 was paid to the State Treasurer and credited to the Neighborhood Preservation Nonlapsing Revolving Fund.

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## **Resource Recovery Investment Tax**

### **Description**

The Resource Recovery Investment Tax is levied upon the owners and operators of every sanitary landfill facility located in New Jersey on all solid waste accepted for disposal on or after May 1, 1985. The tax expired on December 31, 1995.

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## **Sales and Use Tax**

### **Description**

Sales and Use Tax applies to receipts from retail sale, rental or use of tangible personal property, retail sale of producing, fabricating, processing, installing, maintaining, repairing, storing and servicing tangible personal property, maintaining, servicing or repairing real property, certain direct mail services, sales of restaurant meals, rental of hotel and motel rooms, certain admission charges and telecommunications services.

A compensating use tax is also imposed on retail purchases of tangible personal property or services made outside the State for use in New Jersey on which a sales tax would be due but has not been paid.

All persons required to collect the tax must file an Application for Registration. Each registrant's authority to collect the sales tax is certified by a Certificate of Authority, issued by the Division, which must be prominently displayed at each place of business to which it applies.

Major exemptions include: sales of newspapers and magazines; casual sales except motor vehicles and registered boats; clothing, except furs; farm supplies and equipment; flags of New Jersey and the United States; unprepared food for off-premises consumption; food sold in school cafeterias; prescription and nonprescription drugs and other medical aids; motor fuels; periodicals and textbooks; professional and personal services; real estate sales; tangible personal property used in research and development; transportation of persons or property; production machinery and equipment.

### **Rate**

The rate of tax is 6% on taxable sales.

### **Disposition of Revenues**

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

## History

New Jersey's first sales tax became effective on July 1, 1935. The tax rate was set at 2%. Chapter 268, P.L. 1935 provided that sales taxation would cease as of June 13, 1938.

Sales and Use Tax next became effective July 1, 1966. Rate of tax was set at 3% (C. 30, P.L. 1966).

Additional exemptions from the tax were provided by C. 25, P.L. 1967. Chapter 7, P.L. 1970 increased the tax rate to 5%, effective March 1, 1970. This Act and C. 25, P.L. 1970 contained certain transitional provisions relating to this increased rate.

Effective July 1, 1972, sales of alcoholic beverages, except draught beer sold by the barrel, to any retail licensee were made subject to Sales and Use Tax (C. 27, P.L. 1972). The 1972 amendment repealed taxation of sales of packaged liquor by retailer to consumer. The tax applied at the wholesale-retail level. Its base was the minimum consumer retail price as filed with the Board of Alcoholic Beverage Control.

A new tax imposed on wholesale receipts of alcoholic beverage licensees at 6.5% of the wholesale price superseded the prior tax imposed under the sales tax law at 5% of the minimum consumer resale price (C. 62, P.L. 1980).

Production machinery and equipment became exempt from sales tax effective January 1, 1978.

Sale, rental or lease of commercial motor vehicles weighing more than 18,000 pounds became exempt from sales tax effective January 1, 1978 (C. 217, P.L. 1977).

The Division took over administration of the Atlantic City Luxury Sales Tax (C. 60, P.L. 1980).

Recycling equipment was exempted from sales tax effective January 12, 1982 (C. 546, P.L. 1981).

The sales and use tax rate increased to 6%, effective January 3, 1983 (C. 227, P.L. 1982).

Non-prescription drugs, household paper products and soaps and detergents were exempted from sales tax, effective July 1, 1983.

The sales and use tax rate increased to 7%, effective July 1, 1990. Several major exempt items and services became taxable July 1, 1990, e.g., cigarettes, alcoholic beverages, household soap and paper products, janitorial services, telecommunications services, and sales, rentals, leasing, parts and services for certain commercial motor vehicles (C. 40, P.L. 1990).

Household paper products became exempt again September 1, 1991 (C. 209, P.L. 1991).

Chapter 115, P.L. 1990, approved November 19, 1990, reinstated, with modifications, the exemption for certain sales, rentals, leases, and repair and replacement parts for commercial motor vehicles, retroactive to July 1, 1990.

The sales and use tax rate decreased to 6%, effective July 1, 1992 (C. 11, P.L. 1992).

Local public pay phone calls were exempted from the tax under a law passed January 15, 1993, and retroactive to July 1, 1990 (C. 10, P.L. 1993).

Effective July 1, 1994, retail sales of certain tangible personal property in Salem County were taxed at 3% (C. 373, P.L. 1993).

Certain radio and television broadcast production equipment was exempted from sales and use tax effective April 1, 1996 (C. 317, P.L. 1995).

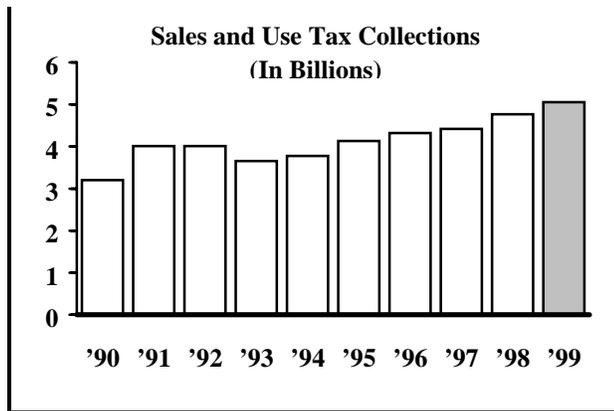
Sales and use tax was repealed on advertising space in a telecommunications user or provider directory or index distributed in New Jersey, effective April 1, 1996 (C. 184, P.L. 1995).

Sales and use tax was imposed on sales of energy (C. 162, P.L. 1997).

Sales and use tax was repealed on sales of advertising services, other than direct mail services performed in New Jersey, on and after November 1, 1998 (C. 99, P.L. 1998).

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

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



Fiscal Year	Collections
1990	\$3,202,569,956
1991	4,013,147,198 <sup>1</sup>
1992	4,009,960,467
1993	3,651,122,672 <sup>2</sup>
1994	3,778,506,912
1995	4,133,278,016
1996	4,318,372,824
1997	4,415,427,600
1998	4,766,194,660
<b>1999</b>	<b>5,054,437,769</b>

<sup>1</sup> Rate increased to 7% on July 1, 1990.  
<sup>2</sup> Rate decreased to 6% on July 1, 1992.

### Urban Enterprise Zones

The New Jersey Urban Enterprise Zones Act (C. 303, P.L. 1983), approved August 15, 1983, provides tax advantages and other business tools to enhance development efforts in the State's economically distressed urban centers. Under the program qualified municipalities apply to the Urban Enterprise Zone Authority to have a portion of the municipality designated as an Urban Enterprise Zone. Businesses must apply to the local municipal zone coordinator to be certified as a "qualified business" before they can take advantage of these benefits.

Initially ten zones (the maximum number provided under the statute) were established in: Bridgeton, Camden, Elizabeth, Jersey City, Kearny, Millville/Vineland, Newark, Orange, Plainfield and Trenton. Chapter 367, P.L. 1993, approved January 5, 1994, allowed for the designation of ten additional enterprise zones. This increased the number of zones from 10 to 20, adding Asbury Park-Long Branch, Carteret, Lakewood, Mount Holly, Passaic, Paterson, Perth Amboy, Phillipsburg, Pleasantville and Union City. Seven new zones were added in 1996: East Orange, Guttenberg, Hillside, Irvington, North Bergen, Pemberton and West New York.

The benefits conferred on qualified businesses that choose to operate within a designated Urban Enterprise Zone include:

- Corporation Business Tax credits for hiring new employees;
- Sales and Use Tax exemption for purchases of building materials, most tangible personal property and most services for business use;
- Unemployment tax rebates;
- Authorization to impose State sales tax at 50% of the regular rate (3%);
- Skills training programs to meet employment demands;
- Priority for funding by Local Development Financing Fund;
- Possible exemptions from certain State and municipal regulations;
- Possible eligibility for reduced utility rates;
- Possible eligibility for energy assistance funds from the Department of Commerce and Economic Development.

### Sales Tax Benefits

A vendor within an Urban Enterprise Zone wishing to collect sales tax at the reduced rate must first be certified as a "qualified business," and then apply to the Division of Taxation for authority to collect tax at the reduced rate. No business may collect sales tax at the reduced rate without the proper certification. The certification is valid for one year. Recertification is automatic unless the business changes or loses its qualified status.

A qualified business may collect sales tax at the reduced rate only on a face-to-face retail sale of tangible property to a buyer who comes to its business location within the Zone and accepts delivery from the location. Thus, telephone, mail order or catalog sales do not qualify for the reduced rate. Sales of certain items are not eligible for the reduced sales tax rate. Tax must be collected at the full regular rate on sales of: restaurant meals and prepared food, cigarettes, alcoholic beverages, energy, and the sale, rental or lease of motor vehicles. The reduced rate does not apply to sales of any services by a qualified business.

A qualified business may purchase items of tangible personal property (office and business equipment, supplies, furnishings, fixtures, etc.) and taxable services (construction work, repair and installation services, etc.) which are for the exclusive use of the business at its location in the Zone without paying sales tax. Building materials used at the Zone location are also exempt from tax, whether purchased by the qualified business or the contractor. The exemption from sales tax does not apply to purchases or repairs of motor vehicles, or purchases of telecommunications services and energy.

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## Savings Institution Tax

### Description

The Savings Institution Tax is applicable to every savings institution doing a financial business in New Jersey. The Act defines Savings Institution as any state or Federally chartered building and loan association, savings and loan association or savings bank.

Excluded from tax are:

- (1) 100% of dividends of an owned and qualified subsidiary; and
- (2) 50% of other dividends included in taxable income for Federal tax purposes.

### Rate

The tax rate is 3% of net income. The tax is based upon net income as of the close of the preceding tax year, but is not less than \$50 for savings institutions with assets under \$1 million nor less than \$250 for savings institutions with assets of \$1 million or more.

In addition to the tax due, for accounting periods ending April, 1980 and thereafter, an 80% prepayment of tax for the following year must also be made. Credit against the current year's tax liability for such prepayment is allowed.

### Disposition of Revenues

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

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## Solid Waste Importation Tax

### Description

The Solid Waste Importation Tax is levied upon the owner or operator of every sanitary landfill facility located in New Jersey which accepts solid waste for disposal from outside of the solid waste management district on or after May 1, 1985. The Solid Waste Importation Tax expired December 31, 1995.

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## Solid Waste Recycling Tax

### Description

The owner or operator of a solid waste facility in New Jersey must pay the Solid Waste Recycling Tax on all solid waste accepted for disposal or transfer at the facility on or after July 1, 1987. Resource recovery facilities and solid waste transfer station facilities are not subject to the tax. The Solid Waste Recycling Tax terminated on December 31, 1996.

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## Solid Waste Services Tax

### Description

The Solid Waste Services Tax is levied upon the owner or operator of every sanitary landfill facility located in New Jersey on all solid waste accepted for disposal on or after May 1, 1985.

### Rate

The tax rate in 1999 is \$1.20 per ton or \$0.36 per cubic yard on all solid waste accepted for disposal. The tax rate for solid waste in liquid form is \$0.002 per gallon. On the first of January annually the tax rate increases on solids by \$0.05 per ton or \$0.015 per cubic yard.

### Disposition of Revenues

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

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## Spill Compensation and Control Tax

### Description

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

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

### Rate

1. Nonpetroleum hazardous substances—greater of \$0.015 per barrel or 1% of fair market value plus \$0.0025 per barrel;
2. Petroleum products—\$0.015 per barrel;
3. Precious metals—\$0.015 per barrel; and
4. Elemental phosphorus—\$0.015 per barrel.

The tax rate may be increased in the case of a major discharge or series of discharges of petroleum products to a rate not to exceed \$0.04 per barrel until the revenue pro-

duced by the increased rate equals 150% of the total dollar amount of all pending reasonable claims resulting from the discharge.

The tax for an individual taxpayer who paid the tax in 1986 is capped at a certain percentage of the taxpayer's 1986 liability.

### Disposition of Revenues

The proceeds constitute a fund (New Jersey Spill Compensation Fund) to insure compensation for cleanup costs and damage associated with the discharge of petroleum products and other hazardous substances.

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## Tobacco Products Wholesale Sales and Use Tax

### Description

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

Cigarettes are exempt from this tax.

### Rate

The rate is 48% (effective January 1, 1998) on the receipts from every sale of tobacco products by a distributor or wholesaler.

### Disposition of Revenues

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

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## Transfer Inheritance and Estate Taxes

### Description

The transfer inheritance tax applies to the transfer of all personal property and New Jersey real property having an aggregate value of \$500 or more in estates of resident decedents. In estates of nonresident decedents, the tax applies to real property and tangible personal property located in the State of New Jersey.

The Estate Tax is imposed in addition to the Transfer Inheritance Tax on estates of resident decedents where the State inheritance taxes paid are not sufficient to fully absorb the Federal Estate Tax credit allowable.

### Rate

The Transfer Inheritance Tax rates depend on the amount received and the relationship between the decedent and the beneficiary. No tax is imposed on immediate family (direct ancestors or descendants—Class A) or spouses. Class C beneficiaries (sibling of decedent, spouse or widow/er of a child of decedent) are taxed at 11%–16%, with the first \$25,000 exempt. Class D beneficiaries (all others) are taxed at 15%–16%, with no tax on bequests of less than \$500. Charitable institutions are exempt from tax.

Estate taxes are determined by Federal law, since the tax is designed to absorb the Federal credit available for State taxes paid. During and prior to 1997, there was no tax due on Federal taxable estates of less than \$600,000. However, under provisions of The Taxpayer Relief Bill of 1997 (H.R. 2041), which was passed by Congress on July 31, 1997, the applicable exclusion amount will be \$1,000,000 in 2006 when fully phased in. Prior to being fully phased in, the exclusion will be:

1998	\$625,000
1999	650,000
2000	675,000
2001	675,000
2002	700,000
2003	700,000
2004	850,000
2005	950,000
2006 and thereafter	1,000,000

### Exemptions From Transfer Inheritance Tax

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

### Disposition of Revenues

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

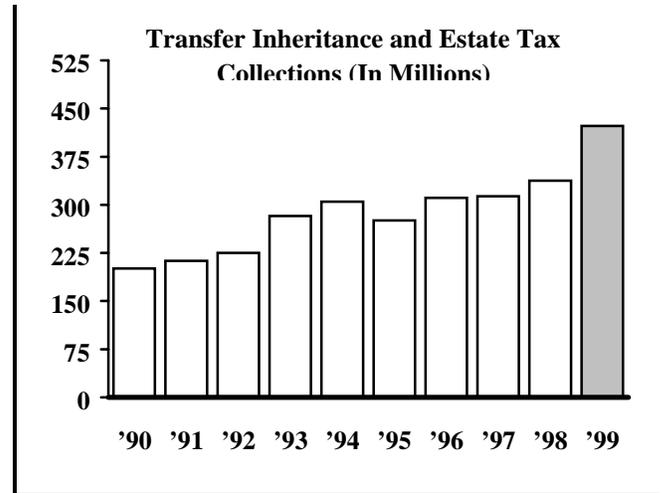
### History

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

In 1909, legislation was enacted which formed the basis of the present Transfer Inheritance Tax (N.J.S.A. 54:33-1 *et seq.*).

In 1934, legislation was enacted which formed the basis of the Estate Tax (N.J.S.A. 54:38-1 *et seq.*). On June 30, 1992, the filing date for estate taxes for decedents dying after March 1, 1992 was shortened. The due date had been the later of 18 months after the date of death or 60 days after the Federal notification of Federal estate tax due. The new due date is 9 months after date of death (C. 39, P.L. 1992). Estate taxes are paid by the estate to the extent that inheritance taxes are below the Federal credit for State taxes.

On February 27, 1985 an amendment to the Transfer Inheritance Tax Act (C. 57, P.L. 1985) eliminated from taxation transfers from decedents to surviving spouses (retroactive to January 1, 1985) and to other Class A beneficiaries on a phased out basis through July 1, 1988. On July 1, 1988, other Class A beneficiaries became totally exempt from the tax. Class C beneficiaries were granted a \$25,000 exemption effective on July 1, 1988.



Fiscal Year	Collections
1990	\$200,954,216
1991	212,825,520
1992	225,210,867
1993	283,812,642
1994	304,770,334
1995	275,823,814
1996	310,655,978
1997	313,447,496
1998	337,679,941
<b>1999</b>	<b>423,015,329</b>

## Transitional Energy Facility Assessment

### Description

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

### Administration

The Transitional Energy Facility Assessment is collected by the State for distribution to the municipalities of the State.

### Rate

The rates of taxation for each class and category of gas and electrical energy are established by the Board of Public Utilities by board order.

### **Disposition of Revenues**

Revenue from this assessment is to be deposited in the Energy Tax Receipts Property Tax Relief Fund pursuant to C. 167 of the Laws of 1997.

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## **Uniform Transitional Utility Assessment**

### **Description**

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

### **Administration**

The Uniform Transitional Utility Assessment is collected by the State for the use of the State.

### **Rate**

Payments made under the Uniform Transitional Utility Assessment are based on annual returns from the subject utility entities.

### **Disposition of Revenues**

Revenue from this assessment is deposited in the State Treasury.

## LEGISLATION

### Constitutional Amendment

#### Open Space, Farmland, and Historic Preservation

An amendment to Article VIII, Section II, of the State Constitution was approved by the electorate on November 3, 1998. Commencing July 1, 1999, the amendment dedicates \$98 million in each fiscal year for the next 10 years (1999 to 2009) from the State sales and use tax revenues for the acquisition and development of lands for recreation and conservation purposes, for the preservation of farmland for agricultural or horticultural use and production, and for historic preservation, and to satisfy payments relating to bonds and other obligations issued for those purposes.

The amendment also dedicates up to \$98 million each fiscal year, for up to 20 years thereafter (2009 to 2029), of sales and use tax revenues to satisfy any payments relating to bonds and other obligations issued for those same purposes.

### Corporation Business Tax

#### P.L. 1999, c. 140 — Tax Benefit Certificate Transfer Program

(Signed into law on June 28, 1999) Clarifies the Corporation Business Tax Surrendered Tax Benefit Certificate Transfer Program, established pursuant to P.L. 1997, c. 334, which allows corporations to purchase the research and development credits and net operating loss deductions of new or expanding emerging technology and biotechnology companies in this State.

The bill imposes a cap limiting the total amount of tax benefits that may be transferred under the program to \$50 million in fiscal year 2000 and \$40 million in each subsequent fiscal year. Individual companies applying to “sell” tax benefits under the program are limited to a lifetime maximum of \$10 million.

In addition, the measure: (a) defines eligibility requirements for businesses wishing to surrender tax benefits; (b) provides criteria for approving applications for transfers; and (c) establishes a method for allocating transfers among qualified prospective participants in cases where the total amount of tax benefits requested to be surrendered by approved applicants in a particular fiscal year exceeds the ceiling on total allowable transfers for that

year. This act applies to tax years beginning on and after January 1, 1999.

### Corporation Business Tax/ Gross Income Tax

#### P.L. 1999, c. 102 — Neighborhood and Business Child Care Tax Incentive Program

(Signed into law on May 6, 1999) Provides new tax credits to certain corporations based on their expenditures for child care facilities and also allows certain unincorporated businesses to fully deduct such expenditures for gross income tax purposes.

A corporation that is a member of a small/medium business child care consortium will be allowed a credit equal to 15% of its expenditures on child care center physical plant or facilities and a credit of 10% of its contributions, in cash or in kind, to a sponsor of a neighborhood-based child care center. The credit will apply to privilege periods ending on or after July 31, 1999 and before July 1, 2002.

An unincorporated business that is a member of a small/medium business child care consortium will be allowed to deduct, for gross income tax purposes, the amount of their expenditures on child care center physical plant or facilities, as well as the amount of their contributions, in cash or in kind, to a sponsor of a neighborhood-based child care center. These deductions are extended to members of partnerships or associations in proportion to the partner’s share of the partnership expenditure or contribution. The deduction will apply to taxable years beginning on or after January 1, 1999 and before January 1, 2002.

### Gross Income Tax

#### P.L. 1998, c. 79 — Single Member Limited Liability Companies

(Signed into law on August 14, 1998) Amends various sections of the New Jersey Limited Liability Company Act to provide for single member limited liability companies and to treat such companies as sole proprietorships for State income tax purposes unless the company is classified otherwise for Federal income tax purposes. The act became effective immediately and applies to all existing limited liability companies regardless of their formation date.

**P.L. 1998, c. 113 — Holocaust Restitution**

(Signed into law on October 20, 1998) Excludes from income amounts received by victims of the Nazi Holocaust as reparations or restitution for the loss of liberty or damage to health. Such compensation, whether recovered in the form of tangible or intangible property or as cash value in replacement of such property, payment of insurance policies purchased by Nazi Holocaust victims, and any accrued interest on such amounts, shall not be counted as income for New Jersey gross income tax purposes or for the purpose of determining eligibility for the Pharmaceutical Assistance to the Aged Program (PAAD). This act took effect immediately and applies to all property received after enactment.

**P.L. 1998, c. 153 — Contribution Checkoff Amounts**

(Signed into law on January 12, 1999) Increases the amounts specified for contribution to special funds made through checkoffs on New Jersey individual gross income tax returns from “\$5, \$10 or other” to “\$10, \$20 or other.” The statute also changes the name of the “Battleship New Jersey Memorial Fund” to the “U.S.S. New Jersey Educational Museum Fund.” The new law applies to tax years beginning on or after January 1, 2000.

**P.L. 1999, c. 12 — Checkoff for Drug Abuse Education Fund**

(Signed into law on January 25, 1999) Establishes the Drug Abuse Education Fund into which each taxpayer shall have the opportunity to contribute by indicating on his or her New Jersey gross income tax return that a portion of the taxpayer’s tax refund or an enclosed contribution shall be deposited in this special fund.

All contributions to this fund will be appropriated to the Department of Education for distribution to non-governmental entities operating in the public interest that, utilizing law enforcement personnel, provide drug abuse education programs on a State-wide basis, such as, but not limited to, Project DARE (Drug Abuse Resistance Education).

This act took effect immediately, but remained inoperative until enactment of P.L. 1999, c. 21. The legislation applies to tax years beginning on or after January 1, 2000.

**P.L. 1999, c. 21 — Coded Designations for Contribution Checkoffs**

(Signed into law on February 8, 1999) Allows for the use of coded designations on the gross income tax return form to indicate to taxpayers their statutorily authorized options for making contributions to charitable funds. The

legislation applies to tax years beginning on or after January 1, 2000.

**P.L. 1999, c. 92 — Checkoff for Korean Veterans’ Memorial Fund**

(Signed into law on May 3, 1999) Allows gross income tax filers to contribute to the Korean Veterans’ Memorial Fund by designating a portion of their refund or by making a donation with their gross income tax return. This act applies to tax years beginning on or after January 1, 2000.

**P.L. 1999, c. 94 — Simplified Wage Tax Reporting for Employers of Domestic Workers**

(Signed into law on May 3, 1999) Permits wage taxes withheld from remuneration for domestic services rendered to be reported and paid over to the Division of Revenue on a calendar year basis rather than on a quarterly (or more frequent) basis as formerly required.

The statute further simplifies the process of reporting and paying taxes withheld from the wages of household workers by including employer and employee contributions for unemployment compensation and disability benefits in the definition of withholding taxes, thereby allowing employers to combine such contributions with gross income tax withheld for reporting and payment purposes. Withholding returns and tax payments are due from employers of domestic workers on or before January 31 following the close of the calendar year.

This act took effect immediately and applies to all wages paid on and after January 1, 2000.

**P.L. 1999, c. 116 — State Tuition Program Accounts, Education IRAs**

(Signed into law on May 21, 1999) Allows earnings of qualified state tuition program accounts (e.g., NJBEST accounts) and educational individual retirement accounts to be deferred from New Jersey gross income until the earnings are distributed and excludes from income qualified distributions from qualified state tuition program accounts that are used for qualified higher education expenses. This act applies to taxable years beginning on or after January 1, 1998.

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## Local Property Tax

**P.L. 1999, c. 63 — NJ SAVER and Homestead Rebate Act**

(Signed into law on April 15, 1999) Establishes a new direct property tax relief program for New Jersey home-

owners and expands the existing homestead rebate for certain tenants.

The NJ SAVER component of the statute provides for an annual rebate to be issued to qualified New Jersey residents who own, occupy and pay property taxes on a home in this State which was their principal residence as of October 1 of the previous year. Residents of condominiums, co-ops and continuing care facilities may also be eligible for a NJ SAVER rebate.

The program will be phased in over five years, and will provide maximum rebates averaging about \$600 when fully implemented. Rebates will be phased in at the rate of 20% of the maximum for 1998, 40% for 1999, 60% for 2000, etc. Because the amount of the NJ SAVER rebate is derived by multiplying the first \$45,000 of the qualified property's equalized value by the equalized school tax rate for the municipality in which the home is located, actual rebate amounts will differ for each municipality.

Homeowners who qualify for both the homestead rebate and the NJ SAVER rebate will receive whichever rebate provides the greater benefit.

Tenants are not eligible for NJ SAVER rebates. However, this legislation extends homestead rebate eligibility to tenants under 65 who are not blind or disabled provided that their income does not exceed \$100,000. Formerly such tenants qualified for a \$30 homestead rebate only if income was \$40,000 or less. Under the new law, homestead rebates for these tenants will be \$30 for tax year 1998, \$40 for tax year 1999, \$60 for tax year 2000, \$80 for tax year 2001 and \$100 for tax year 2002.

**P.L. 1999, c. 67 — Extension of Time for Filing Property Tax Reimbursement Applications**

(Signed into law on April 16, 1999) Extends the deadline for filing property tax reimbursement applications to April 15, 1999. The extension applies only to tax year 1998.

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## Miscellaneous

**P.L. 1998, c. 40 — ICF-MR Assessment**

(Signed into law on June 30, 1998) Provides for an annual assessment of 5.8% of the gross revenue of every intermediate care facility for the mentally retarded (ICF-MR) in the State. The assessment must be paid to the Director of the New Jersey Division of Revenue on a quarterly basis. Proceeds will be used by the Division of Developmental Disabilities in the Department of Human Services

to reduce the number of disabled persons awaiting placement in a community residence or program. The act took effect July 1, 1998.

**P.L. 1998, c. 114 — Exemptions for Municipal Electric Utilities**

(Signed into law on October 28, 1998) Exempts certain sales by municipal electric utilities from sales tax and from the corporation business tax. The act, targeted specifically to apply to the Butler Borough Municipal Corporation, took effect immediately and is retroactive to January 1, 1998.

**P.L. 1998, c. 115 — Special Improvement Districts**

(Signed into law on October 28, 1998) Authorizes municipalities to establish "special improvement districts" for the purpose of revitalizing the State's downtown areas; provides \$5 million to establish a downtown business improvement loan fund for worthwhile municipal revitalization projects; and provides technical assistance for such projects from the Department of Community Affairs. This act took effect December 27, 1998.

**P.L. 1999, c. 42 — Nonofficial Examination of State Tax Records**

(Signed into law on March 12, 1999) Provides that any person violating the confidentiality provisions of R.S. 54:50-8 of the State Tax Uniform Procedure Law by examining records or files for any reason other than one necessitated by the performance of official duties shall be guilty of a disorderly persons offense. Persons who divulge, disclose or use confidential tax information will be guilty of a crime of the fourth degree.

Whenever records and files are used in the prosecution of a person for violating the provisions of R.S. 54:50-8, the defendant shall be given access to said records and files. The court shall review such records and files in camera and that portion of the court record containing the records and files shall be sealed by the court. Chapter 42 became effective upon enactment.

**P.L. 1999, c. 71 — Shore Protection Fund**

(Signed into law on April 28, 1999) Increases the amount annually credited to the Shore Protection Fund to \$25 million. This act took effect immediately and applies only to fiscal years beginning after enactment.

**P.L. 1999, c. 118 — Aid for Challengers of the NYC Personal Income Tax**

(Signed into law on May 27, 1999) Authorizes the New Jersey Attorney General to represent, or to file an action on behalf of, affected New Jersey citizens who wish to challenge the repeal of the New York City personal in-

come tax for residents of New York State who reside in places other than New York City, but not for New Jersey residents who earn income in New York City. Appropriates \$95 million for expenses incurred in providing such assistance.

**P.L. 1999, c. 152 — Garden State Preservation Trust Act**

(Signed into law on June 30, 1999) Establishes statutory authority for efforts in pursuit of certain conservation objectives mandated by a recent amendment to Article VII, Section II of the State Constitution and provides a stable, dedicated source of funding for such efforts out of revenue from the sales and use tax.

The statute exempts property and income of the Trust from all taxes and special assessments of the State (except transfer inheritance and estate taxes) and provides for compensation to municipalities for tax revenues lost by reason of acquisition and ownership by the State of lands certified exempt from property taxes due to their use for conservation and recreation purposes.

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## Multiple Taxes

**P.L. 1998, c. 106**

(Signed into law on September 14, 1998) Implements various recommendations of the Tax Advisory Group established by the State Treasurer in 1994 to study State tax issues.

**1. *Deficiency Assessments***

Allows taxpayers who have paid an assessed deficiency within one year after the expiration of the period allowed for filing a protest, but who have not protested or appealed that assessment, to file a claim for refund. Applies to return periods which begin on or after January 1, 1999.

**2. *Hedge Funds***

Provides that income or losses which a nonresident taxpayer receives from a business entity located in New Jersey are not deemed to be derived from New Jersey sources if the business entity's only activity is the purchase, holding or sale of intangible personal property, such as commodities or securities and such intangible property is not held for sale to customers. Applies to taxable years ending after enactment.

**3. *Penalty Rules***

For return periods which begin on or after January 1, 1999:

- Amends the State Tax Uniform Procedure Law so that the penalty for failure to file a tax return is based on the amount of the underpayment of tax rather than on the entire tax liability; and
- Caps the corporation business tax underpayment penalty at 25% of the underpayment in conformity with the State Tax Uniform Procedure Law.

**4. *Gross Income Tax Estimated Payments***

For return periods beginning on or after January 1, 1999:

- Raises from \$100 to \$400 the tax threshold above which quarterly estimated tax payments are required; and
- Requires certain estates and trusts to make estimated tax payments; and
- Modifies the method by which the penalty for underpayment of estimated tax is determined.

**5. *Corporation Business Tax Estimated Payments***

For return periods beginning on or after January 1, 1999, modifies the method by which the penalty for underpayment of estimated tax is calculated.

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## Sales and Use Tax

**P.L. 1998, c. 99 — Direct Mail Advertising Services**

(Signed into law on September 4, 1998) Amends the New Jersey Sales and Use Tax Act to more accurately describe the kinds of direct-mail advertising services that are subject to sales and use tax. The amendment replaces the general and indistinct term "advertising services" with the more precise phrase "direct-mail advertising processing services in connection with distribution of advertising or promotional material" to recipients in New Jersey. This act took effect on November 1, 1998.

**P.L. 1998, c. 118 — Charity Shops**

(Signed into law on November 9, 1998) Allows certain charitable and public safety organizations to make tax exempt sales of donated property at shops where substantially all of the work is done by volunteers and where substantially all of the merchandise being sold has been received by the exempt organization as gifts or contributions. This act took effect on February 1, 1999.

## COURT DECISIONS

### Corporation Business Tax

#### Compensation

*Seventeen Thirty Corp. v. Director, Division of Taxation*, decided April 16, 1999; Tax Court; No. 003648-97. The president of plaintiff was the sole shareholder and served as store manager for fiscal years commencing October 1, 1988 through October 31, 1992. Not only was the president compensated through regular salary, but he also supplemented it by writing checks to himself for varying amounts at varying times during each year based upon the availability of cash in plaintiff's business. Plaintiff neither withheld New Jersey gross income tax or Federal income tax nor did it issue W-2 Forms or other reporting forms reflecting these supplemental payments. However, the corporation business tax returns reported the supplemental payments as officer compensation deductions and the president reported the supplemental payments as other income on his New Jersey gross income tax returns. The Division of Taxation disallowed the supplemental payments as deductions because there was no objective evidence to characterize the nature of the payments as compensation rather than the distribution of earnings and profits, dividends.

The Tax Court ruled that New Jersey's Corporation Business Tax Act's references to the Federal income tax principles permitted the decisional law under the Internal Revenue Code to be relevant in determining whether the payments at issue were compensation under the Corporation Business Tax Act. The Tax Court then adopted the two-pronged test for deductibility espoused in *Elliot's, Inc. v. Commissioner*, 716 F.2d 1241 (9th Cir. 1983). The test's first prong requires an inquiry into whether the amount of compensation is reasonable. The second prong requires that the payments must be entirely for services. The *Elliot's* court noted that this second prong may be difficult to establish due to its subjective nature and, in that case, the answer may be inferred from the outcome of the first prong's reasonableness test.

Applying the *Elliot's* test, the Tax Court held that the payments at issue were reasonable and constituted deductible compensation rather than dividends. The Court found the following facts to be significant in arriving at its determination: (1) The president had no sophisticated understanding of the Internal Revenue Code, New Jersey Gross Income Tax Act, or the Corporation Business Tax Act; (2) the president believed he earned the corporation's

additional cash from his long work hours; (3) the defendant did not dispute that the total payments to the president constituted reasonable compensation; and (4) the plaintiff paid minimal dividends for four of the five years at issue. Additionally, the Court noted the *Elliot's* court's finding that a corporation is not required to pay dividends.

### Gross Income Tax

#### Basis for Sale of Partnership Interest

*Koch v. Director, Division of Taxation*, decided January 14, 1999; Supreme Court of New Jersey; No. A-135 September Term 1997. The appeal involved the tax treatment under the New Jersey Gross Income Tax Act (the Act) of the taxpayer's gain realized from the sale of his partnership interest. The question was whether the cost basis of that interest should be the purchase price or the Federal adjusted basis (purchase price less losses deducted on Federal income tax returns). The deducted losses provided the taxpayer with a Federal income tax benefit. However, because the losses were not deductible on the taxpayer's New Jersey gross income tax returns, they provided no tax benefit under the Act.

Koch filed a complaint with the Tax Court, asserting that the Act does not require a taxpayer to reduce the basis of his partnership interest by losses that are not deductible under the Act. The Tax Court disagreed and concluded that, in determining gain or loss under the Act, adjusted basis for Federal income tax purposes must be used and no exception is permitted even where the taxpayer was unable to deduct partnership losses. *Koch v. Director, Div. Of Taxation*, 15 N.J. Tax 387, 395 (Tax Ct. 1995). The Appellate Division affirmed in an unpublished, *per curiam* opinion substantially for the reasons stated by the Tax Court.

The Supreme Court granted certification. The Supreme Court held that in calculating taxable income from the disposition of property under the Act, the basis cannot be the Federal adjusted basis where that basis has been reduced by losses that are not deductible under the Act. Any income tax imposed on an amount greater than the taxpayer's economic gain (in this instance, sale price less purchase price) represents a tax on a return of capital, a result not intended by the Legislature.

The Supreme Court stated that the Division's position ignores the Federal accounting and nonrecognition provisions of section 5-1c of the Gross Income Tax Act. By including reference to Federal methods of accounting or nonrecognition provisions of the Internal Revenue Code,

the Legislature explicitly intended to incorporate Federal income tax concepts. Further, Koch's calculation of gain conforms to section 5-1c's directive to use methods of accounting allowed for Federal income tax purposes to determine gain or loss for New Jersey gross income tax purposes. Under the Federal method of accounting, losses not passed through to a partner would not reduce the partner's basis, and gain would be determined simply by computing the difference between a partner's cost basis (unreduced by partnership losses) and proceeds received from the sale. Accordingly, the accounting method allowed for Federal income tax purposes does not require the use of Koch's Federal adjusted basis to compute his gain.

### Various Deductions

*John W. Dantzler, Jr. and Kathleen M. Dantzler v. Director, Division of Taxation*, decided June 1, 1999; Tax Court; No. 006040-96. This case concerned eight separate issues involving partnership deductions, deductions for personal transactions, and the credit for taxes paid to other jurisdictions on plaintiff's gross income tax (GIT) return.

### Partnership Deductions

The query is whether the following items, which are not ordinarily deductible on a New Jersey gross income tax return, are deductible by a partnership in calculating its distributive share of partnership income where they are considered ordinary business expenses.

- **Political Contributions** – The Tax Court ruled that under the Gross Income Tax Act, a partnership's political contribution may be deductible by the partners where there is demonstrated some specific nexus between the political contribution and the partnership's business. As plaintiff could not provide adequate proof linking the contribution to conduct of the partnership's business, the Court disallowed the claimed deductions.
- **Miscellaneous Expenses** – The Court disallowed the claimed deductions because plaintiff could not prove what the expenses were and why they were deductible.
- **Medical Expense Deductions** – The partnership allocated \$2,534 of medical insurance expense to the plaintiff that was consistent with the allocations to all but 11 of the 75 partners who the Court found were either qualified or did not elect to participate. It was not known whether or to what extent the allocation represented either the partnership's actual expenditures or was related to the plaintiff.

The Court ruled that the medical insurance premium deductions are allowed to the extent that they are for all

partners and employees and to the extent that the specific premiums or contributions for plaintiff exceed the Gross Income Tax Act's two percent requirement, but that they are not deductible in calculating plaintiff's distributive share of partnership income.

- **Pension Expense Deductions** – Plaintiff's partnership maintained a defined contribution plan for its eligible partners and staff. Although the plan had a 401(k) portion and a non-401(k) portion (Keogh), only the non-401(k) is at issue. Participation in the non-401(k) portion was not voluntary and was required of all eligible personnel. Only the partnership made contributions to the non-401(k) based upon a specified percentage of the person's allowable compensation.

The Court held that the pension contributions are allowed to the extent they are for all personnel. However, those contributions specific to plaintiff are not deductible on his gross income tax return.

### Personal Expenditures

- **FICA Taxes** – Plaintiff deducted Federal self-employment tax (FICA) attributable to being a partner. The Court held that FICA taxes are not deductible under the Gross Income Tax Act because they are paid by the individual and not the partnership. The Court noted that a self-employed individual was not permitted to deduct FICA because it is a tax on income.
- **Interest on Loan** – The partnership agreement required plaintiff to provide capital to the partnership. Prior to approximately May 1992, plaintiff borrowed the amount from the partnership and paid interest on such loan. After approximately April 1992, plaintiff borrowed from Citibank who paid the funds directly to the partnership to satisfy plaintiff's loan from the partnership. The partnership guaranteed repayment of the Citibank loan and paid the interest on behalf of plaintiff. The Court noted that the interest amounts on the aforementioned loans would otherwise have been distributed to plaintiff by either a cash payment or added to his capital account.

The Court held that although the interest was not considered a deductible expense connected to net profits from business, as it was not a partnership obligation, it may be deductible. The Court found that this interest was plaintiff's personal expense connected to his partnership capital contribution requirements and the situation was analogous to investment interest that is deductible to a stocks and bonds investor whose business is to invest in stocks and bonds. Therefore, the Court

permitted plaintiff to deduct the interest from plaintiff's distributive share of partnership income. The Court reasoned that a partner should be allowed to deduct partnership expenditures required for participation in the partnership from his partnership income.

- **Loss on the Sale of a Home** – Plaintiff realized a gain on the sale of a personal residence and from the sale of securities attributable to his share of partnership gains. From this gain, plaintiff deducted a realized loss from the sale of another personal residence.

Following the law of *Baldwin v. Director, Division of Taxation*, 10 N.J. Tax 273 (Tax 1988), *aff'd ob. per curiam*, 237 N.J. Super. 327 (App. Div. 1990) that personal losses are not deductible from personal gains under the Gross Income Tax Act, the Court disallowed the deduction for the loss.

#### **Credit for Taxes Paid to Other Jurisdictions Calculation**

On their California income tax return, plaintiff claimed deductions for the FICA tax, the medical insurance expense, and the pension payment that constituted their California allocable amount. On their New Jersey gross income tax return, plaintiff claimed the credit for taxes paid to California, but did not deduct the aforementioned expenses from the numerator of the credit fraction.

In calculating the credit for taxes paid to California, the Court held that the numerator (California share) of the credit fraction must be reduced by expenses not subject to tax in California and should not be deducted in the denominator (income taxed in New Jersey).

## **Insurance Retaliatory Tax**

### **Treatment of Surtax as a Special Purpose Assessment**

*Liberty Mutual Insurance Co., Liberty Mutual Fire Insurance Co. v. Director, Division of Taxation*, decided July 21, 1998; Tax Court Nos. 006043-96 and 000258-97. These cases involve the issue of whether the FAIR Act Private Passenger Automobile Surtax collected in 1990, 1991 and 1992 is a special purpose assessment excludible from the taxpayers' New Jersey retaliatory tax base under N.J.S.A. 17:32-15. By opinion and judgment dated July 21, 1998, the Tax Court granted the plaintiffs' summary judgment motion and denied the State's cross motion on this issue (the State prevailed on the estoppel issue raised by the plaintiffs).

## **Local Property Tax**

### **Non-profit Corporation Not Exempt from Property Tax as an Historic Site**

*Black United Fund of N.J., Inc. v. City of East Orange*, decided July 20, 1998, Tax Court of N.J. Black United Fund of N.J., a nonprofit 501(c)(3) Federal income tax exempt corporation, was not property tax exempt as an historic site under N.J.S.A. 54:4-3.52, as Green Acres per 54:4-3.64, or as a charitable organization according to 54:4-3.6 on or before the statutory October 1, 1995 pretax year assessment/exemption date for tax year 1996.

In reviewing the claim of historic site, the New Jersey Tax Court recalled the 1991 State Supreme Court's finding in *Town of Morristown v. Woman's Club of Morristown*, that, unlike other exemptions, historic exemption had no actual and exclusive use criteria but required only ownership by a nonprofit corporation and DEP certification as an historic site. Although organized under New Jersey law as a Title 15 nonprofit corporation in August 1980 and despite a Deed of Historic Preservation Restriction recorded on May 29, 1996 by the DEP, historic site designation was not actually issued by DEP until July 8, 1997. The Tax Court referred to *Ironbound Educational and Cultural Center, Inc. v. City of Newark*, in which the 1987 State Superior Court denied exemption to an historic site determined as such subsequent to its respective October 1 pretax year assessment date. The Tax Court also held that the listing in 1980 of the United Fund's mansion on the National Register of Historic Places and receipt of State Historic Preservation Officer Certification were Federal designations and so did not fulfill the exemption requirements of N.J.S.A. 54:4-3.52.

Considering the Green Acres claim, again, as above, the prerequisite DEP certification of public, recreational, conservational use was not obtained until after October 1, 1995 and, therefore, was not applicable to tax year 1996. In rejecting the claim for Green Acres, the Court reminded us that DEP is not empowered to grant Green Acres exemption, rather its authority is to certify qualifying public purpose.

Finally, the Tax Court looked at the claim for charitable purpose exemption. It noted the eligibility conditions of 54:4-3.6, as previously summarized by the State Supreme Court, included being organized exclusively for exempt purpose; used actually and exclusively for exempt purpose; and operated and used in a nonprofit capacity. The Tax Court utilized *Planned Parenthood of Bergen County, Inc. v. Hackensack City*, 12 N.J. Tax 598, 610 n.6 (Tax Court 1992), *aff'd*, 14 N.J. Tax 171 (App. Div.

1993) where “organized” was ruled to pertain only to the “entity’s organizational documents, its corporate charter” as the guide in deciding if the Black United Fund was structured exclusively for exempt purpose. In drawing its conclusion, the Court also reviewed *1711 Third Ave., Inc. v. City of Asbury Park*, 16 N.J. Tax 174, 182 (Tax Court 1996). It found that United Fund’s certificate of incorporation and bylaws, both of which stated purposes were to create a fund to distribute grants to other Federal tax exempt organizations supporting the African American community, while commendable, were not organized exclusively for exempt purposes under 3.6. Though the Fund additionally indicated it operated exclusively for charitable, religious, educational purposes within the meaning of 501(c)(3) of the Internal Revenue Code. This Court reiterated earlier courts in that “Federal income tax exemption standards have no relation to state law governing property tax exemption.” That qualification alone is not sufficient to meet the standards of the New Jersey statute. See *Paper Mill Playhouse v. Millburn Twp.*, 95 N.J. 503, 529 n. 2, 472 A.2d. 517 (1984) & *City of Trenton v. State*, 65 N.J. Super. 1, 11, 166 A.2d 777 (App. Div. 1960).

#### **Added Assessment Law**

*Seventy Five P-B Corporation v. Town of Phillipsburg*, decided February 19, 1999; Tax Court; No. 000205-98. Plaintiff appealed an added assessment imposed for nine months of 1997 on a commercial building located in Phillipsburg. Construction on the improvement was completed on March 21, 1997. The added assessment was in the full amount of \$488,800, and an allocated amount of \$366,600 for the nine-month period. Plaintiff did not dispute the amount of the assessment, but considered it improper because the improvement qualified for exemption, commencing April 1, 1997 under the Five-Year Exemption and Abatement Law, N.J.S.A. 40A:21-1 to 21, and under the municipal ordinance adopted pursuant to the Five-Year Law. Defendant acknowledged that the improvement qualified for exemption under the Five-Year Law, but contended that such exemption could not commence until January 1, 1998. Defendant sought a summary judgment to dismiss the appeal; plaintiff cross-moved for summary judgment based on its interpretation of the commencement date of the five-year exemption.

On October 1, 1996, Phillipsburg adopted an ordinance declaring the Town an Urban Enterprise Zone, an “area in need of rehabilitation” as defined in N.J.S.A. 40A:21-3(b). The ordinance declared that “improvements to existing structures shall be exempt from assessment for a period of five years following completion of the improvement.”

Phillipsburg denied plaintiff’s application for exemption for tax year 1997, granting the exemption effective January 1, 1998 for a five-year period beginning on that date. The Assessor imposed the added assessment in dispute. Plaintiff filed a timely appeal with the Warren County Board of Taxation, which affirmed the added assessment. This Tax Court appeal followed.

Defendant asserted that the Five-Year Law neither provides for nor contemplates the granting of an exemption other than for full tax years and, therefore, contended that imposition of an added assessment for nine months of 1997 was entirely consistent with, and permitted by, the Law. It asserted that the five full years to which the Five-Year Law expressly refers commenced on January 1, 1998 and that, in the absence of a statutory provision requiring or authorizing exemption or abatement between the date of completion of the improvement and the commencement of the first full year after the date of completion, the exemption or abatement is inapplicable during that time period, and the improvement is fully taxable.

Defendant’s motion for summary judgment was granted and plaintiff’s cross-motion for summary judgment was denied. Defendant’s interpretation of the Five-Year Law was consistent with the principle that qualification for tax exemption or abatement during a tax year does not result in a change of assessment for that tax year. The Court cited *City of Asbury Park v. Castagno Tires*, 13 N.J. Tax 488 (Tax Court 1993) which states: “As a general rule, absent an appeal, the taxable status of property is fixed as of October 1 of the pre-tax year; subsequent conversion to an exempt use does not render the property exempt for that year.” The Court noted that interpreting the Five-Year Law to prohibit “interim” added assessments would be an “inappropriate expansion of the holding” in *City of Newark v. Essex County Bd. of Taxation*, 309 N.J. Super. 476 (App. Div. 1998). The Legislature did not authorize extension of the Five-Year Law exemption to the interval between completion of an improvement and the next January 1. The Court rejected plaintiff’s contention that the exemption period commences with the first day of the month next following completion of the improvement. It noted that N.J.S.A. 40A:21-11(a) provides that “All tax agreements entered into by municipalities pursuant to Sections 9 through 12 of P.L. 1991, c. 441 shall be in effect for no more than the five full years next following the date of completion of the project.” The nine month added assessment was deemed proper. N.J.S.A. 1:1-2 defines the term “year” as used in any statute as “a calendar year.” The Five-Year Law defines that period as five full (calendar) years. The improvement was subject to taxation in accordance with the normal local property tax

procedures otherwise applicable to property. These procedures include the imposition of an added assessment, a conclusion mandated by the New Jersey Constitution and the Five-Year Law.

### **Municipalities Lack Standing to Lower Assessments**

A.G. Opinion 99-0050, March 23, 1999. N.J.S.A. 54:3-21 provides, in part, “A taxpayer ... or a taxing district which may feel discriminated against by the assessed valuation of property in the taxing district, or by the assessed valuation of property in another taxing district in the county, may on or before April 1 appeal to the county board of taxation ... taxpayer or taxing district may on or before April 1 file a complaint directly with the tax court....”

In reviewing the appeal statute, the A.G.’s Office explained, “Where a statute creates a cause of action, and identifies the requirements for bringing the action, as was done by N.J.S.A. 54:3-21, those requirements must be met.” Citing several court decisions, the A.G. opinion reiterated that the right to appeal is statutory and the appellant is required to comply with all applicable statutory requirements.

Concluding that municipalities lacked standing to reduce assessments, the opinion relied on the Tax Court’s reasoning in *Appeal of Monroe Twp.*, 16 N.J. Tax 261 (1996). A taxing district is not discriminated against by an assessment in the municipality that is too high, only by an assessment that is too low. Again citing prior case law, the opinion concurred that a municipality’s appeal standing was limited to correcting underassessments. However, administrative remedy is available to assessors in that they can informally ask the County Board of Taxation to lower assessments. The County Tax Board can also, upon their own initiative, revise and correct assessments prior to their certification of the tax list. Finally, if administrative reduction is not possible for reason of timeliness, etc., taxpayers have the right to request a lesser assessment via the statutory appeal process.

### **Applicability of the Freeze Act**

*Rockstone Group v. Lakewood Township*, decided March 24, 1999; Tax Court of New Jersey; No. 004614-97. Appeal involves the Freeze Act (N.J.S.A. 54:51A-8) and whether it applies following entry of a stipulation of settlement between plaintiff and defendant upon the 1997 assessed values for two vacant land parcels assessed at \$327,000 and \$372,000 respectively. A Tax Court Judgment was entered on October 19, 1998 for tax year 1997 to reduce the assessments to \$230,000 per lot. The stipulation was silent as to Freeze Act application, since the parties

were unable to settle that issue and had agreed to litigate it in a later proceeding.

Plaintiff’s attorney then filed an application for judgment to “freeze” the assessments for tax years 1998 and 1999. Lakewood Township sought to avoid the freeze for 1998. It claimed that the subject property’s value had substantially increased because it originally had a municipal site plan approval for a 54,800 square foot retail center. The land was granted conditional municipal preliminary and final site plan approval for construction of a 132-unit apartment complex on July 15, 1997, as memorialized by a Lakewood Township resolution. Approval was given subject to “posting a performance bond for any improvement in connection with this application, complying with all conditions as required by Federal, State or local law and obtaining all other approvals as required by law.” Plaintiff submitted that, since the resolution required several governmental regulatory approvals not granted until after the valuation date of October 1, 1997 for the 1998 freeze year, the property essentially had no approvals at that time, and thus the Freeze Act should apply. Approvals included DOT and CAFRA permits, Municipal MUA approval, and County Soil Conservation District certification. Plaintiff asserts that the standard for “increase in value” should be final approval as defined in the Municipal Land Use Act (N.J.S.A. 40:55D-4). In opposition, the municipality’s appraiser concurred with the assessor’s conclusion that obtaining final municipal planning board approval for development, even with additional permits and approvals pending, “*in and of itself* causes a substantial and meaningful increase in the value of vacant land.”

The property rights that the legislature conferred on the developer automatically upon final approval of a site plan are a significant factor. During the approval period the developer is protected against rezoning and retains all rights encompassed in the preliminary site plan approval. The economic reality is not whether every condition of final site plan approval is satisfied, but the perception in the real estate market that a protected right has been conferred on the property which has value. Defendant’s experts observed that “most real estate appraisers recognize and reflect the increase in value of unimproved land created by obtaining municipal approvals” by means of adjustments. The assessor concluded that a significant increase in value resulted from the grant of approvals for the apartment complex, based on the taxpayer’s appraisal report for the 1997 tax year, in which he had adjusted two comparable sales downwards by 25% due to their lack of approvals.

The municipality bears the burden of showing that the Freeze Act should not apply. In order to have defeated the freeze and thus been entitled to a plenary hearing, the municipality must have demonstrated a change in value from an internal or external change that materialized after the assessment date of the base year. The change must substantially and meaningfully increase the value of the property.

The Court found that the planning board approvals of July 15, 1997 constituted an external change subsequent to the assessment date of the base year. The municipality had submitted evidence to create a prima facie demonstration of a change in value. The Court ruled that the municipality was entitled to the plenary hearing to determine whether the change in value was sufficient to deflect the freeze that the plaintiff sought. The Court's decision was not a determination on the merits of the taxpayer's Freeze Act application, but only that the municipality had presented a prima facie allegation and provided sufficient evidence to proceed with the plenary hearing. The plenary hearing is a full evidential trial that will only address the increased valuation, if any, attributable to the site plan approval.

#### **Exemption for Greenhouse Affirmed**

*Van Wingerden v. Lafayette Twp.*, decided April 16, 1999; N.J. Tax Court, on remand from N.J. Superior Court, Appellate Division. The Farmland Assessment Act at N.J.S.A. 54:4-23.12(a) taxes structures on agricultural or horticultural land in the same way as taxable nonfarm structures, but exempts single-use agricultural or horticultural facilities, that is, property employed in farming operations, used for growing or storage which is readily disassembled and separately marketable from the farmland and buildings, such as readily dismantled silos, greenhouses, grain bins, manure handling equipment and impoundments, except structures enclosing space within their walls for housing, shelter, or working, office or sales space are not to be exempted.

The issue on remand was whether a greenhouse was disqualified from property tax exemption because it enclosed a space within its walls used for working, office or sales space.

The disputed building was divided into two sections — the main greenhouse and the shipping house; but the sections were structurally and functionally integrated. The main greenhouse was utilized for growing flowers with an area for storing equipment used in horticultural operations. The shipping house held the boilers; heat pumps; water tanks; heat shield, ventilation, and watering controls

servicing the main greenhouse. The shipping house also had a refrigerated cool box for flower storage, tables for grading and sorting flowers, a workbench, a tool storage area, a desk, chair, and phone. For purposes of deciding tax status, the Court treated the greenhouse and shipping house which shared a common wall and entryway as one structure which was to be either exempt or taxable in its entirety.

In that the meaning of the phrase “working, office or sales space” was unclear and had not been clarified by prior case law, the Tax Court sought to interpret it consistent with the Legislature's intent by resorting to the legislative history of the statute. The Court reviewed the N.J. State Board of Agriculture's Report on “Agricultural Economic Recovery & Development Initiative” and the resulting Senate Bill that led to the enacting of P.L. 1993, c. 251 which exempted single-use agricultural or horticultural facilities. The Court also reviewed the basic terminology of the amended Farmland Assessment Act and, although not specifically defined, equated “farming operations” with agricultural/horticultural use of land and buildings. It went on to note that agricultural/horticultural use included animals, plants, fruits, nursery, floral, greenhouse products, etc. “produced for sale” and “grown for market, either retail or wholesale” and encompassed within those meanings “making crops ready for sale, including storage pending sale.” However, making a crop ready for sale did not permit altering the crop's raw state by processing it into an end product as, for example, turning cranberries into juice. From the Legislature's exempting of specific structures such as silos, used only for agricultural purposes, and its designation of disqualifying space, it was concluded that property tax relief was not meant for structures having purposes ancillary to agricultural or horticultural uses. The Court then determined that sales of agricultural/horticultural crops in or from an exempt structure did not prohibit exemption, but a structure having enclosed sales space would be prohibited.

As explained by the Court, an area in the greenhouse used for purposes not essential to the growing or storage of flowers, such as space used for the sale of flowers, floral displays, flower pots, vases or other merchandise or services would constitute disqualifying “sales space.” Van Wingerden sold primarily to florists and florist distributors and did not encourage retail business. No sales staff was employed at the greenhouse. It was not visible from the road and there were no signs, advertising, or floral displays. Retail sales amounted to less than one percent of the total business. The Court found that the greenhouse contained no sales space. The Court also held that a single desk was not an office and the space it occupied was not

“office space.” Van Wingerden’s business, tax and billing records, computer, copier etc. were maintained at his residence. Disqualifying “working space” again meant space used for purposes inessential for growing or storing crops such as preparing floral displays. The Court ruled that grading, sorting and treating flowers with preservative were essential activities in making the flowers ready for sale. The work performed on the greenhouse walkways consisted of planting, maintaining and harvesting flowers. The storage area held equipment used in growing and harvesting flowers. The “single-use” of the structure, the growing of flowers, was not violated. Exemption was affirmed.

## Miscellaneous

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

*Schirmer-National Co. v. Director, Division of Taxation*, decided August 17, 1998; Tax Court No. A00348-96. The Tax Court followed its decision in *Aetna Burglar & Fire Alarm Co. v. Director, Div. of Taxation*, 16 N.J. Tax 584 (1997), that alarm monitoring services carried through telephone telecommunications are subject to sales tax. Plaintiff also argued that these services should not be subject to tax until the time the Division provided proper notice of the tax law changes. The court ruled that taxpayers are “put on notice of legislative enactments on the date the legislation becomes effective.” Consequently, the Division of Taxation was not obligated to provide taxpayers with notice of changes in the tax law.

### Timely Protests

*Frank Scallo v. Director, Division of Taxation*, decided July 10, 1998, clarified August 26, 1998; Tax Court No. 000387-1998. Plaintiff was a shareholder and employee of Shore Auto Service, Inc. In 1992, the Division assessed sales and use tax against the corporation for the period October 1986 to December 1989. The corporation did not challenge the assessment. On June 28, 1996, the Division sent plaintiff a Notice of Finding of Responsible Person Status which granted the right to an administrative hearing if the plaintiff applied for a hearing within 90 days of the notice. On January 16, 1997, the Division filed a certificate of debt against the plaintiff and a Warrant of Execution was issued on February 1, 1997. On April 23, 1997, plaintiff requested an administrative hearing challenging his status as a responsible person for the period October 1986 to December 1989. Plaintiff’s request was denied due to its untimeliness on November 14, 1997. Thereafter, plaintiff filed a timely complaint with

the Tax Court on February 10, 1998 claiming that the request for an administrative hearing was timely and that the 1996 assessment was void *ab initio*.

The Tax Court held that plaintiff’s request for an administrative hearing was untimely because the April 23, 1997 request for a hearing was more than 90 days after the Division’s June 28, 1996 mailing of the Notice of Responsible Person Status and that the filing of the certificate of debt does not extend plaintiff’s time to request an administrative hearing pertaining to the underlying tax liability. The court added that the certificate of debt may not be challenged under Rule 4:50-1 because this rule deals with the correction of liability determinations which are the result of litigation, not Division methods involving the collection of tax liabilities. Finally, the court ruled that the 1996 assessment was not void *ab initio* even if made beyond the four (4) year statute of limitations because plaintiff’s failure to file a timely request for an administrative hearing barred him from raising this defense.

### Private Debt Collection Agencies

*Lonky v. Municipal Tax Collection Bureau Inc. and New Jersey State Department of Treasury, Division of Taxation*, decided October 16, 1998; Appellate Division; No. A-0512-97T3. In 1992, the State enacted legislation enabling the Division to hire private agents to discover tax obligations and collect payments from taxpayers. (See N.J.S.A. 54:49-12.1 to .5) Thereafter, the Division contracted with the Municipal Tax Collection Bureau Inc. (MTB) where MTB would identify and collect taxes from non-reporting taxpayers and be remunerated pursuant to a contingent fee arrangement.

MTB identified plaintiff, who was neither registered for New Jersey taxes nor filed New Jersey tax returns, as a person with potential tax liability after it discovered information that plaintiff owned and sold commercial property in New Jersey. Subsequently, plaintiff filed a complaint claiming the Division’s contract with MTB was unconstitutional and invalid. The trial court’s decision granted summary judgement in favor of MTB and the Division. Plaintiff appealed.

The Appellate Court affirmed the trial court’s decision. Furthermore, the Court noted that (1) statutory authority exists for MTB’s debt collection practices, (2) MTB has no authority to and does not assess taxes, and (3) the legislature did not expressly prohibit the Division from entering into contingent fee arrangements with private tax collectors. The Court concluded that there was “no overriding public policy or legislative prescriptions that would render the contract with MTB invalid, particularly given

the express statutory authority therefor and the substantive and procedural controls imposed by the Division.”

### **Reclaiming Mistaken Refunds**

*Playmates Toys, Inc. v. Director, Division of Taxation*, decided December 8, 1998; Appellate Division; No. A-170-97T5. Plaintiff filed a refund claim for time periods that were barred by the statute of limitations. However, the Division mistakenly granted the refund. Realizing its mistake, the Division issued a final determination directing plaintiff to return the erroneous refund from which plaintiff appealed. The Tax Court ruled that plaintiff must return the money because the issuance of the refund was not tantamount to the Division’s waiver of its ability to recoup the overpayment. Plaintiff appealed.

The Appellate Court held that although the Division has no express statutory power, it does have a common law inherent power to recoup mistaken disbursements. In support of its holding, the Court cited non-tax cases where courts had upheld the government agency’s inherent power to correct its mistakes.

### **Subject Matter Jurisdiction**

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

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## **Sales and Use Tax**

### **Sales or Repairs, Alterations or Conversion of Ships**

*Maher Terminals Inc. v. Director, Division of Taxation*, decided September 3, 1998; Tax Court No. 0003495-1997. Plaintiff operated a stevedoring/port terminal business for commercial ships, barges, and other vessels at its marine terminal facility in Port Elizabeth, N.J. Plaintiff’s computer equipment is located at a building which is 14 miles away from the marine terminal facilities. The computer equipment is connected by fiber optic cable to computer terminals at the marine terminal facilities and is used to process data such as the containers’ number, weight, contents, destination, name of the shipping vessel and date of sailing and anticipated arrival, special handling requirements, compliance with export requirements, etc. These computers plan where outgoing containers will be placed on the ships, track the storage location of the containers, and instruct plaintiff’s employees as to where

the containers will be stored and the order in which they will be loaded. Additionally, computer terminals are located on straddle carriers, equipment which straddles a cargo container, so that it can be lifted and moved efficiently, in order to maximize their efficiency and to coordinate container movement (pick up and drop off) after considering priority of the move.

At issue is whether plaintiff’s computer equipment qualifies for the N.J.S.A. 54:32B-8.12 sales tax exemption. This exemption applies, *inter alia*, to “...machinery, apparatus and equipment for use at a marine terminal facility in loading, unloading and handling cargo carried by those commercial ships, barges and other vessels, and storage and other services rendered with respect to such loading, unloading and handling cargo at a marine terminal facility ....”

The court ruled that the computer equipment did not qualify for the exemption because it was not directly used in the loading, unloading, and handling of cargo. The court found that the computer’s use, information processing, was too remote from the actual movement of the cargo, i.e., activities of the straddle carriers, forklifts, cranes, and other movement equipment. The court reasoned that it was not the Legislature’s intention to exempt such computer equipment.

### **Refund Claims**

*Amplicon, Inc. v. Director, Division of Taxation*, decided September 18, 1998; Tax Court; No. 000413-98. Pursuant to an audit, the Division issued a notice of assessment informing plaintiff that it owed sales and use tax. Plaintiff protested the assessment and presented documentation requesting an \$87,646 reduction in tax. Per its June 28, 1995 notice, the Division granted the entire requested reduction and recomputed the remaining sales and use tax liability. Plaintiff paid the assessment by check dated July 18, 1995. Subsequently, in a letter dated May 30, 1997, plaintiff filed a refund claim for a portion of the sales and use tax paid by the July 18, 1995 check. The Director denied the refund claim on the grounds that it was untimely filed.

The sole issue in front of the Court was whether plaintiff may seek a refund of assessed taxes more than ninety days after the taxes were assessed and paid without protesting the assessment. The Court’s analysis of the statutes revealed an apparent conflict between N.J.S.A. 54:32B-20(a), which permits a taxpayer to file a refund claim within four years from the payment of tax, and N.J.S.A. 54:32B-19 and 54:3B-21, which grants the taxpayer ninety days from the date of the Division’s assessment to

request a hearing or file an appeal to Tax Court. The Court found that N.J.S.A. 54:32B-20(b) resolved this apparent conflict by stating that the four year refund claim period does not apply to the situation where payments were made pursuant to an assessment and the taxpayer had a hearing or failed to file for a hearing or appeal. Therefore, the Court held that the four year period for filing a refund claim is inapplicable in the instant case and upheld the Director's decision that plaintiff's claim for refund was out-of-time. The Court noted that audits would never close if extended statute of limitations were permitted in cases like this as there could be repeated and endless attempts to seek refunds.

### **Bulk Sale Provision**

*M.S. Appliance Service, Inc. v. Director, Division of Taxation*, decided September 25, 1998; Tax Court; No. 3646-97. On or about July 1, 1994, plaintiff purchased from Mr. Service, Inc. (hereinafter Mr. Service) its appliance repair business for \$193,000. The purchase consisted of the trade name, customer lists, and fixed assets, but not the inventory. At the time of the sale, Mr. Service owed the Division sales tax in excess of \$240,000 plus interest and penalty. Neither party notified the Division of this sale.

While the Division was investigating whether Mr. Service's assets would satisfy its outstanding sales tax liability, it discovered that the business was sold to plaintiff. Thereafter, the Division notified plaintiff that it was liable for \$193,000 of Mr. Service's sales tax liabilities pursuant to N.J.S.A. 54:32B-22(c). This provision requires a purchaser to notify the Division, at least ten days prior to taking possession, of the purchase of all or any part of the business assets, other than in the ordinary course of business, from a person required to collect tax. Where the purchaser fails to comply with this notice requirement, the purchaser is held personally liable for the seller's sales tax liabilities.

Plaintiff challenged the applicability of N.J.S.A. 54:32B-22(c) on the grounds that it did not purchase the merchandise or inventory. The Court ruled that the statute requires a sale of either part or all of a business or a substantial portion of assets. Therefore, the sale was held to clearly fall within the statute because plaintiff purchased the business.

### **Hotel's Resale of Amenities**

*Adamar of New Jersey t/a Tropworld Casino & Entertainment Resort v. Director, Division of Taxation*, 17 N.J. Tax 80, (Tax Ct., 1997) *affirmed*, Appellate Division No. A-2250-97T2 (February 5, 1999). In consolidated cases,

plaintiff hotels sought sales tax refunds, under the sale-for-resale exemption, on purchases of various hotel amenities it provided to its guests including writing pads, stationery, postcards, pens, matches, sewing kits, shoeshine cloths or pads, soap, shampoo, conditioner, shower caps, lotion, shower gel and mouthwash.

On appeal, the Appellate Division affirmed the Tax Court's holding that the amenities were not sold to guests and therefore did not qualify for the resale exemption. The Tax Court found that (1) the amenities are not sold "as such" because they are "inseparably connected" to the services provided by the hotel, (2) the amenities are not sold as "a component part of a product produced for sale" because the amenities are not incorporated into the room and the room is not a product produced for sale, and (3) the sales tax imposed on the rental of a hotel room is a tax on the rental of the room, not the resale of amenities. The reasoning underlying this decision is that the "true object" concerning a room rental is the use of the room, not the acquisition of amenities.

### **Admission Charges**

*Seventeen Thirty Corp. v. Director, Division of Taxation*, decided April 16, 1999; Tax Court; No. 003648-97. Plaintiff operates a retail store that sells adult-oriented books, periodicals, novelties, and videotapes. The store also contains a segregated area that contains 27 video booths where adult videotapes are viewed. Each booth contains a viewing device that displays ten to sixteen different videotapes with running times of approximately two hours. Entrance to the booth area generally required that each person purchase a minimum of twelve \$0.25 tokens (three dollars worth) which transactions were not subject to sales tax. Additional tokens could also be purchased. Exceptions to the minimum purchase requirement were made for individuals known to plaintiff's employees and persons who displayed previously purchased tokens. To operate the viewing device, a patron deposited a token that provided approximately one minute of playing time. At the end of the minute, the viewing device stopped. At this point, the patron could then insert another token to view another minute. It should be noted that no more than one token could be deposited at a time. The Division determined that the token sales were taxable under N.J.S.A. 54:32B-3(e)(1), which imposes sales tax on admission charges in excess of \$0.75 to or for the use of a place of amusement.

The Court ruled that the three-dollar minimum purchase requirement to enter the video booth area is taxable as an admission charge and that the video booth area is a place of amusement because the viewing devices provided en-

tainment to the patrons. Additionally, the Court ruled that a \$0.25 token deposited in the viewing device is not an admission charge because it is required only for the purpose of operating the device, not to enter the booth, and that the viewing device providing the amusement is a mechanical device, not a “place of amusement.”

### **Sweeping Services & Garbage Removal**

*Exterior Power Sweeping v. Director, Division of Taxation*, decided December 17, 1997; Tax Court; No. 011656-93, *rev'd*; Appellate Division; No. A-3346-97T5 (April 30, 1999). Exterior Power Sweeping (EPS) was engaged in the business of power sweeping parking lots. Essentially, on a daily to monthly basis, EPS trucks vacuumed paper products and other debris from customers' parking lots into its truck's hopper. When the hopper was full, it would either be emptied into the customer's dumpster or taken back to EPS's facility.

The Division found that EPS's services were subject to sales tax except where EPS additionally removed the debris to its own facility for disposal. Although EPS could not provide documentation showing a breakdown of the dollar amount of sales where the debris was removed to its facility, the Division estimated that it was sixty percent based upon a similar case and therefore taxed forty percent of the sales.

In an oral opinion, the Tax Court held that the power sweeping parking lot services were exempt from sales tax under the exemption for garbage removal. Furthermore, the judge voided the entire tax assessment finding that there was no factual basis for taxing forty percent of EPS's sales.

The Appellate Division reversed the Tax Court on the issue of whether sweeping services were taxable. Relying upon *D.P.S. Acquisition Corp. v. Director, Div. of Taxation*, 16 N.J. Tax 292 (Tax 1997), *aff'd*, 17 N.J. Tax 592 (App. Div. 1998), initially, the Appellate Division held that the sweeping services performed by EPS are essentially the same as those sweeping services performed by D.P.S. and are taxable. However, there was one difference between D.P.S. and EPS and that was that D.P.S. did not remove any of the collected debris from the customers' premises to its facility while EPS did. The Appellate Division ruled that those services were not taxable under the exemption for garbage removal.

As to the Division taxing forty percent of sales, the Appellate Division upheld the assessment. The Appellate Division ruled that the burden is not on the Division to justify its calculation but rather that the taxpayer carries

the burden of showing that transactions are exempt from taxation. In this case, EPS did not provide any documentation that broke down the dollar amount of transactions or the number of jobs where it removed the collected debris to its premises. Therefore, the accuracy of the figure could not be tested.

## 1998 General and Effective Property Tax Rates By Municipality

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
<b>Atlantic</b>			Englewood Cliffs Bor.	1.290	1.003
Absecon City	3.080	3.030	Fair Lawn Borough	2.680	2.485
Atlantic City	2.880	2.730	Fairview Borough	3.140	3.075
Brigantine City	2.450	2.580	Fort Lee Borough	2.470	2.504
Buena Borough	2.760	2.580	Franklin Lakes Borough	1.690	1.599
Buena Vista Township	2.360	2.030	Garfield City	2.740	2.851
Corbin City	3.050	2.120	Glen Rock Borough	2.810	2.493
Egg Harbor City	4.160	3.530	Hackensack City	3.720	3.875
Egg Harbor Township	2.240	2.100	Harrington Park Borough	2.910	2.326
Estell Manor City	2.080	1.900	Hasbrouck Heights Bor.	2.580	2.484
Folsom Borough	2.530	2.080	Haworth Borough	2.560	2.467
Galloway Township	2.680	2.550	Hillsdale Borough	2.420	2.246
Hamilton Township	2.740	2.580	Hohokus Borough	1.640	1.648
Hammonton Town	2.580	2.520	Leonia Borough	3.290	3.004
Linwood City	2.930	2.890	Little Ferry Borough	2.880	2.833
Longport Borough	1.230	1.290	Lodi Borough	3.550	3.038
Margate City	1.890	1.980	Lyndhurst Township	2.370	2.424
Mullica Township	2.530	2.430	Mahwah Township	1.920	1.563
Northfield City	2.960	3.010	Maywood Borough	2.890	2.428
Pleasantville City	3.310	3.290	Midland Park Borough	2.710	2.378
Port Republic City	2.460	2.330	Montvale Borough	2.000	1.845
Somers Point City	2.820	2.780	Moonachie Borough	1.960	1.723
Ventnor City	2.550	2.670	New Milford Borough	2.560	2.536
Weymouth Township	1.980	1.890	North Arlington Borough	2.560	2.532
<b>Bergen</b>			Northvale Borough	2.980	2.474
Allendale Borough	2.460	2.169	Norwood Borough	2.520	2.031
Alpine Borough	0.960	0.953	Oakland Borough	2.690	2.458
Bergenfield Borough	3.660	3.415	Old Tappan Borough	2.030	1.847
Bogota Borough	3.540	3.063	Oradell Borough	2.540	2.419
Carlstadt Borough	1.930	2.044	Palisades Park Borough	2.760	2.449
Cliffside Park Borough	2.370	2.280	Paramus Borough	1.990	1.916
Closter Borough	2.720	2.234	Park Ridge Borough	2.100	1.977
Cresskill Borough	2.650	2.287	Ramsey Borough	2.730	2.390
Demarest Borough	2.430	2.073	Ridgefield Borough	1.880	1.790
Dumont Borough	2.870	2.834	Ridgefield Park Village	3.180	2.791
Elmwood Park Borough	2.290	2.336	Ridgewood Village	2.830	2.434
East Rutherford Borough	1.940	1.800	River Edge Borough	2.570	2.491
Edgewater Borough	2.590	2.394	Rivervale Township	2.350	2.216
Emerson Borough	3.440	2.596	Rochelle Park Township	2.360	2.024
Englewood City	3.120	2.849	Rockleigh Borough	1.030	0.673
			Rutherford Borough	2.760	2.851

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
<b>Bergen</b> (continued)			Southampton Township	2.456	2.280
Saddle Brook Township	2.160	2.040	Springfield Township	2.466	2.430
Saddle River Borough	0.930	0.885	Tabernacle Township	2.475	2.370
South Hackensack Twp.	2.270	2.176	Washington Township	2.116	1.990
Teaneck Township	3.240	3.120	Westampton Township	2.380	2.380
Tenafly Borough	2.620	2.429	Willingboro Township	3.237	3.070
Teterboro Borough	1.250	1.271	Woodland Township	2.265	2.110
Upper Saddle River Bor.	1.910	1.718	Wrightstown Borough	2.496	1.980
Waldwick Borough	2.870	2.467			
Wallington Borough	2.510	2.598	<b>Camden</b>		
Washington Township	2.310	2.139	Audubon Borough	3.230	3.050
Westwood Borough	2.630	2.307	Audubon Park Borough	4.447	4.380
Woodcliff Lake Borough	2.110	1.881	Barrington Borough	3.530	3.370
Wood Ridge Borough	2.750	2.179	Bellmawr Borough	3.340	3.140
Wyckoff Township	1.960	1.824	Berlin Borough	3.050	3.040
			Berlin Township	2.785	2.910
<b>Burlington</b>			Brooklawn Borough	3.290	3.350
Bass River Township	2.643	2.470	Camden City	4.407	3.730
Beverly City	2.988	2.980	Cherry Hill Township	3.000	2.820
Bordentown City	3.188	3.220	Chesilhurst Borough	2.321	2.540
Bordentown Township	2.974	2.920	Clementon Borough	3.323	3.430
Burlington City	2.412	2.530	Collingswood Borough	6.368	3.420
Burlington Township	2.534	2.360	Gibbsboro Borough	4.312	2.820
Chesterfield Township	2.188	2.200	Gloucester City	2.833	2.910
Cinnaminson Township	2.742	2.550	Gloucester Township	2.838	2.820
Delanco Township	2.738	2.510	Haddon Township	3.020	3.060
Delran Township	2.562	2.530	Haddonfield Borough	2.950	3.030
Eastampton Township	2.680	2.620	Haddon Heights Borough	3.145	3.240
Edgewater Park Township	2.844	2.630	Hi Nella Borough	3.388	3.420
Evesham Township	2.648	2.520	Laurel Springs Borough	3.380	3.490
Fieldsboro Borough	3.128	2.770	Lawnside Borough	2.840	3.030
Florence Township	2.876	2.820	Lindenwold Borough	3.602	3.580
Hainesport Township	2.317	2.200	Magnolia Borough	3.447	3.540
Lumberton Township	2.735	2.690	Merchantville Borough	3.330	3.490
Mansfield Township	2.134	2.120	Mount Ephraim Borough	3.410	3.540
Maple Shade Township	2.971	2.710	Oaklyn Borough	3.120	3.230
Medford Township	2.663	2.550	Pennsauken Township	2.740	3.120
Medford Lakes Borough	3.335	3.090	Pine Hill Borough	3.472	3.420
Moorestown Township	2.877	2.330	Pine Valley Borough	3.010	2.130
Mt. Holly Township	3.138	3.020	Runnemede Borough	3.070	3.100
Mt. Laurel Township	2.487	2.410	Somerdale Borough	3.528	3.500
New Hanover Township	2.108	2.130	Stratford Borough	3.146	3.180
North Hanover Township	1.957	1.920	Tavistock Borough	2.020	1.960
Palmyra Borough	3.018	2.960	Voorhees Township	3.890	3.020
Pemberton Borough	3.237	3.000	Waterford Township	3.087	3.230
Pemberton Township	2.524	2.610	Winslow Township	3.111	2.980
Riverside Township	2.581	2.420	Woodlynne Borough	4.950	3.320
Riverton Borough	3.281	3.000			
Shamong Township	2.324	2.290			

<b>County</b>	<b>General Tax Rate</b>	<b>Effective Tax Rate</b>	<b>County</b>	<b>General Tax Rate</b>	<b>Effective Tax Rate</b>
<b>Cape May</b>			North Caldwell Township	5.240	2.290
Avalon Borough	0.980	0.940	Nutley Township	12.140	3.450
Cape May City	1.600	1.470	Orange City Township	27.880	4.520
Cape May Point Borough	0.980	0.950	Roseland Borough	7.730	2.490
Dennis Township	1.810	1.740	S. Orange Village Twp.	4.030	4.020
Lower Township	2.360	2.330	Verona Township	6.240	2.870
Middle Township	2.320	2.310	West Caldwell Township	2.910	2.770
North Wildwood City	2.390	2.510	West Orange Township	6.800	3.450
Ocean City	1.700	1.700	<b>Gloucester</b>		
Sea Isle City	1.540	1.430	Clayton Borough	2.690	2.710
Stone Harbor Borough	0.990	1.030	Deptford Township	2.330	2.380
Upper Township	1.500	1.480	East Greenwich Township	2.270	2.180
West Cape May Borough	1.970	1.760	Elk Township	2.500	2.500
West Wildwood Borough	2.040	1.930	Franklin Township	3.730	2.480
Wildwood City	2.920	3.140	Glassboro Borough	3.020	2.970
Wildwood Crest Borough	2.120	1.910	Greenwich Township	2.130	2.070
Woodbine Borough	2.130	1.900	Harrison Township	2.370	2.340
<b>Cumberland</b>			Logan Township	2.100	1.970
Bridgeton City	3.140	2.900	Mantua Township	2.660	2.580
Commercial Township	2.570	2.120	Monroe Township	2.720	2.610
Deerfield Township	2.770	2.370	National Park Borough	3.030	2.920
Downe Township	2.340	2.240	Newfield Borough	2.420	2.220
Fairfield Township	2.720	1.990	Paulsboro Borough	3.510	2.560
Greenwich Township	2.780	2.390	Pitman Borough	3.000	2.960
Hopewell Township	3.070	2.490	S. Harrison Township	2.090	2.070
Lawrence Township	2.540	2.530	Swedesboro Borough	2.620	2.380
Maurice River Township	2.440	2.580	Washington Township	2.620	2.570
Millville City	3.680	2.820	Wenonah Borough	2.780	2.860
Shiloh Borough	2.590	2.980	West Deptford Township	2.530	2.320
Stow Creek Township	2.670	2.190	Westville Borough	2.940	2.960
Upper Deerfield Twp.	2.090	2.330	Woodbury City	3.550	3.360
Vineland City	2.870	2.420	Woodbury Heights Bor.	3.500	2.770
<b>Essex</b>			Woolwich Township	2.280	2.080
Belleville Township	12.550	3.910	<b>Hudson</b>		
Bloomfield Township	3.740	3.610	Bayonne City	4.054	3.860
Caldwell Borough Twp.	13.130	2.880	East Newark Borough	5.678	3.181
Cedar Grove Township	8.240	2.280	Guttenberg Town	3.373	3.103
East Orange City	21.960	5.670	Harrison Town	3.472	2.940
Essex Fells Township	10.540	1.890	Hoboken City	3.142	2.832
Fairfield Township	2.140	2.000	Jersey City	4.462	4.283
Glen Ridge Township	9.520	3.880	Kearny Town	5.517	3.413
Irvington Township	21.710	4.960	North Bergen Township	3.697	3.993
Livingston Township	9.960	2.670	Secaucus Town	2.456	2.815
Maplewood Township	9.300	3.670	Union City	3.718	4.069
Millburn Township	4.490	2.020	Weehawken Township	2.674	3.095
Montclair Township	3.570	3.390			
Newark City	24.280	3.760			

County	General Tax Rate	Effective Tax Rate	County	General Tax Rate	Effective Tax Rate
<b>Hudson</b> (continued)			Cranbury Township	3.250	2.360
West New York Town	4.308	4.185	Dunellen Borough	6.870	3.130
<b>Hunterdon</b>			East Brunswick Township	4.760	2.630
Alexandria Township	2.290	2.290	Edison Township	2.410	2.280
Bethlehem Township	2.260	2.170	Helmetta Borough	4.030	2.280
Bloomsbury Borough	2.320	2.400	Highland Park Borough	4.050	3.460
Califon Borough	2.830	2.500	Jamesburg Borough	2.940	2.940
Clinton Town	2.640	2.690	Metuchen Borough	2.710	2.670
Clinton Township	2.330	2.270	Middlesex Borough	4.540	2.840
Delaware Township	2.100	2.050	Milltown Borough	2.490	2.450
East Amwell Township	2.240	2.310	Monroe Township	2.210	1.900
Flemington Borough	2.810	2.880	New Brunswick City	3.210	3.210
Franklin Township	2.350	2.250	North Brunswick Twp.	4.860	2.660
Frenchtown Borough	2.740	2.730	Old Bridge Township	2.950	2.820
Glen Gardner Borough	2.880	3.150	Perth Amboy City	2.960	3.120
Hampton Borough	3.040	2.900	Piscataway Township	3.600	2.570
High Bridge Borough	2.900	2.910	Plainsboro Township	2.570	2.550
Holland Township	1.670	1.600	Sayreville Borough	2.470	2.290
Kingwood Township	2.000	2.120	South Amboy City	5.100	2.940
Lambertville City	2.280	2.290	South Brunswick Twp.	2.530	2.450
Lebanon Borough	2.360	2.450	South Plainfield Bor.	3.380	2.530
Lebanon Township	2.140	2.080	South River Borough	4.280	2.640
Milford Borough	2.470	2.360	Spotswood Borough	5.620	2.890
Raritan Township	2.620	2.570	Woodbridge Township	4.760	2.600
Readington Township	2.270	2.120	<b>Monmouth</b>		
Stockton Borough	2.140	2.070	Aberdeen Township	3.473	3.149
Tewksbury Township	2.050	1.950	Allenhurst Borough	1.563	1.527
Union Township	1.860	1.880	Allentown Borough	3.990	2.801
West Amwell Township	1.910	1.840	Asbury Park City	3.933	4.164
<b>Mercer</b>			Atlantic Highlands Bor.	2.981	2.843
East Windsor Township	3.180	3.040	Avon By The Sea Bor.	2.411	2.090
Ewing Township	2.930	2.770	Belmar Borough	2.792	2.638
Hamilton Township	9.140	2.850	Bradley Beach Borough	3.124	3.003
Hightstown Borough	3.670	3.530	Brielle Borough	1.962	2.019
Hopewell Borough	2.670	2.620	Colts Neck Township	1.887	1.740
Hopewell Township	2.420	2.440	Deal Borough	0.985	0.999
Lawrence Township	2.490	2.370	Eatontown Borough	2.675	2.523
Pennington Borough	2.810	2.640	Englishtown Borough	2.291	2.200
Princeton Borough	2.180	2.200	Fair Haven Borough	2.761	2.554
Princeton Township	2.020	2.040	Farmingdale Borough	2.802	2.553
Trenton City	3.630	3.540	Freehold Borough	2.899	2.829
Washington Township	2.470	2.420	Freehold Township	2.090	2.200
West Windsor Township	3.030	2.820	Hazlet Township	2.811	2.636
<b>Middlesex</b>			Highlands Borough	3.708	3.405
Carteret Borough	3.230	3.150	Holmdel Township	2.360	2.130
	<b>General</b>	<b>Effective</b>	Howell Township	2.355	2.316
			Interlaken Borough	2.019	1.874
				<b>General</b>	<b>Effective</b>

County	Tax Rate	Tax Rate	County	Tax Rate	Tax Rate
<b>Monmouth</b> (continued)			Long Hill Township	3.310	2.170
Keansburg Borough	3.109	3.615	Madison Borough	3.620	1.890
Keyport Borough	2.910	3.031	Mendham Borough	2.130	1.870
Little Silver Borough	2.702	2.511	Mendham Township	1.990	1.810
Loch Arbour Village	2.734	2.939	Mine Hill Township	2.670	2.570
Long Branch City	3.225	3.100	Montville Township	3.570	1.890
Manalapan Township	2.683	2.291	Morris Township	1.820	1.720
Manasquan Borough	2.279	2.149	Morris Plains Borough	1.980	1.910
Marlboro Township	2.618	2.213	Morristown Town	2.370	2.340
Matawan Borough	3.580	3.302	Mountain Lakes Borough	2.350	2.280
Middletown Township	2.638	2.485	Mt. Arlington Borough	2.740	2.530
Millstone Township	2.328	2.178	Mt. Olive Township	4.580	2.410
Monmouth Beach Bor.	2.380	2.102	Netcong Borough	2.750	2.910
Neptune Township	3.050	2.933	Parsippany-Troy Hills Twp.	4.280	2.490
Neptune City Borough	3.045	2.756	Pequannock Township	2.480	2.380
Ocean Township	2.763	2.505	Randolph Township	4.740	2.380
Oceanport Borough	2.480	2.386	Riverdale Borough	2.140	2.160
Red Bank Borough	3.325	3.008	Rockaway Borough	2.480	2.480
Roosevelt Borough	4.783	4.206	Rockaway Township	4.540	2.550
Rumson Borough	2.221	2.019	Roxbury Township	5.230	2.360
Sea Bright Borough	2.310	2.262	Victory Gardens Borough	3.340	3.140
Sea Girt Borough	1.390	1.453	Washington Township	2.270	2.330
Shrewsbury Borough	2.647	2.573	Wharton Borough	2.600	2.440
Shrewsbury Township	3.789	3.801			
South Belmar Borough	2.812	2.682	<b>Ocean</b>		
Spring Lake Borough	1.449	1.347	Barnegat Township	3.198	3.094
Spring Lake Heights Bor.	2.353	1.995	Barnegat Light Borough	1.106	1.101
Tinton Falls Borough	2.730	2.659	Bay Head Borough	1.244	1.181
Union Beach Borough	3.018	3.165	Beach Haven Borough	1.769	1.631
Upper Freehold Township	2.276	2.145	Beachwood Borough	2.622	2.526
Wall Township	2.317	2.175	Berkeley Township	2.095	1.934
West Long Branch Bor.	2.609	2.361	Brick Township	2.414	2.303
			Dover Township	2.441	2.269
<b>Morris</b>			Eagleswood Township	2.568	2.514
Boonton Town	2.510	2.440	Harvey Cedars Borough	1.363	1.345
Boonton Township	1.900	1.850	Island Heights Borough	2.776	2.641
Butler Borough	4.050	2.650	Jackson Township	2.947	2.804
Chatham Borough	2.360	1.850	Lacey Township	1.949	1.853
Chatham Township	1.890	1.780	Lakehurst Borough	3.043	3.041
Chester Borough	2.580	2.410	Lakewood Township	2.736	2.584
Chester Township	2.290	2.060	Lavallette Borough	1.433	1.363
Denville Township	2.770	2.060	Little Egg Harbor Twp.	2.802	2.868
Dover Town	2.740	2.930	Long Beach Township	1.332	1.309
East Hanover Township	2.150	1.630	Manchester Township	2.566	2.500
Florham Park Borough	1.640	1.530	Mantoloking Borough	0.910	0.941
Hanover Township	1.520	1.620	Ocean Township	2.892	2.817
Harding Township	1.430	0.970			
Jefferson Township	2.430	2.260			
Kinnelon Borough	2.560	2.210			
Lincoln Park Borough	2.560	2.750			

<b>County</b>	<b>General Tax Rate</b>	<b>Effective Tax Rate</b>	<b>County</b>	<b>General Tax Rate</b>	<b>Effective Tax Rate</b>
<b>Ocean (continued)</b>			<b>Somerset</b>		
Ocean Gate Borough	2.653	2.637	Bedminster Township	1.410	1.370
Pine Beach Borough	2.437	2.301	Bernards Township	1.930	1.910
Plumsted Township	2.167	2.131	Bernardsville Borough	1.690	1.700
Point Pleasant Borough	2.488	2.408	Bound Brook Borough	3.130	3.210
Pt. Pleasant Beach Bor.	2.045	1.913	Branchburg Township	2.150	2.070
Seaside Heights Borough	2.619	2.512	Bridgewater Township	2.980	1.770
Seaside Park Borough	2.190	2.161	Far Hills Borough	1.780	1.210
Ship Bottom Borough	1.491	1.465	Franklin Township	2.310	2.270
South Toms River Bor.	2.785	2.616	Green Brook Township	2.120	2.010
Stafford Township	2.312	2.257	Hillsborough Township	2.290	2.280
Surf City Borough	1.413	1.426	Manville Borough	2.600	2.510
Tuckerton Borough	2.871	2.860	Millstone Borough	1.990	2.030
<b>Passaic</b>			Montgomery Township	3.150	2.490
Bloomington Borough	3.350	3.150	North Plainfield Borough	3.350	3.310
Clifton City	2.540	2.580	Peapack-Gladstone Bor.	1.670	1.660
Haledon Borough	3.080	3.320	Raritan Borough	2.400	2.370
Hawthorne Borough	2.660	2.570	Rocky Hill Borough	2.010	1.880
Little Falls Township	2.830	2.160	Somerville Borough	4.400	3.350
North Haledon Borough	4.180	2.520	South Bound Brook Bor.	3.410	3.280
Passaic City	4.110	3.930	Warren Township	1.790	1.760
Paterson City	20.870	4.560	Watchung Borough	1.860	1.830
Pompton Lakes Borough	3.560	3.200	<b>Sussex</b>		
Prospect Park Borough	2.940	3.130	Andover Borough	2.090	2.320
Ringwood Borough	3.270	3.080	Andover Township	2.990	2.680
Totowa Borough	2.190	2.130	Branchville Borough	1.920	1.750
Wanaque Borough	3.640	3.160	Byram Township	3.000	2.810
Wayne Township	2.520	2.380	Frankford Township	2.450	2.410
West Milford Township	3.600	3.150	Franklin Borough	3.080	3.180
West Paterson Borough	2.690	2.490	Fredon Township	2.540	2.440
<b>Salem</b>			Green Township	2.740	2.640
Alloway Township	1.915	2.037	Hamburg Borough	2.800	2.890
Carneys Point Township	2.700	2.189	Hampton Township	2.500	2.570
Elmer Borough	2.837	2.571	Hardyston Township	2.910	2.770
Elsinboro Township	2.687	2.620	Hopatcong Borough	2.850	3.030
Lower Alloways Crk. Twp.	1.224	0.898	Lafayette Township	2.370	2.310
Mannington Township	2.611	2.112	Montague Township	2.290	2.190
Oldmans Township	2.473	2.189	Newton Town	2.950	2.820
Penns Grove Borough	3.489	3.245	Ogdensburg Borough	3.350	3.450
Pennsville Township	2.457	2.208	Sandyston Township	2.320	2.320
Pilesgrove Township	2.086	2.097	Sparta Township	3.360	2.500
Pittsgrove Township	2.910	2.128	Stanhope Borough	3.570	3.190
Quinton Township	2.146	2.303	Stillwater Township	2.800	2.670
Salem City	3.689	3.248	Sussex Borough	3.340	2.600
Upper Pittsgrove Twp.	2.571	2.114	Vernon Township	2.530	2.470
Woodstown Borough	2.723	2.695	Walpack Township	0.900	0.750
	<b>General</b>	<b>Effective</b>	Wantage Township	2.640	2.500
				<b>General</b>	<b>Effective</b>

<b>County</b>	<b>Tax Rate</b>	<b>Tax Rate</b>	<b>County</b>	<b>Tax Rate</b>	<b>Tax Rate</b>
<b>Union</b>			<b>Warren</b>		
Berkeley Heights Twp.	4.640	2.110	Allamuchy Township	2.410	2.290
Clark Township	4.730	2.880	Alpha Borough	3.050	2.920
Cranford Township	2.870	2.490	Belvidere Town	3.150	2.990
Elizabeth City	10.690	2.970	Blairstown Township	1.840	1.870
Fanwood Borough	6.400	2.740	Franklin Township	2.540	2.380
Garwood Borough	4.910	2.880	Frelinghuysen Township	2.560	2.430
Hillside Township	3.810	3.780	Greenwich Township	2.170	2.150
Kenilworth Borough	2.130	2.190	Hackettstown Town	3.560	3.130
Linden City	2.680	2.710	Hardwick Township	2.370	2.280
Mountainside Borough	3.330	1.790	Harmony Township	2.020	1.900
New Providence Borough	2.310	2.360	Hope Township	2.940	2.420
Plainfield City	3.660	3.490	Independence Township	2.420	2.340
Rahway City	3.030	3.170	Knowlton Township	2.770	2.550
Roselle Borough	4.250	4.390	Liberty Township	2.540	2.430
Roselle Park Borough	6.610	3.470	Lopatcong Township	2.370	2.380
Scotch Plains Township	5.020	2.590	Mansfield Township	3.520	2.900
Springfield Township	3.260	2.500	Oxford Township	3.050	2.850
Summit City	1.920	1.780	Phillipsburg Town	2.710	2.700
Union Township	9.380	2.890	Pohatcong Township	2.710	2.620
Westfield Town	3.980	2.350	Washington Borough	3.590	3.650
Winfield Township	93.140	10.710	Washington Township	2.950	2.910
			White Township	1.990	1.760



## Abstract of Ratables and Exemptions 1998

	Col. 1	Col. 2	Col. 3	Col. 4	
	TAXABLE VALUE				
COUNTY	(a) Land	(b) Improvements (Includes Partial Exemptions & Abatements)	Total Taxable Value of Land and Improvements (Col. 1 (a) + (b))	Total Taxable Value—Partial Exemptions and Abatements (Assessed Value)	Net Total Taxable Value of Land and Improvements (Col. 2 – 3)
<b>Atlantic</b>	\$ 6,281,914,550	\$ 11,785,812,080	\$ 18,067,726,630	\$ 4,298,400	\$ 18,063,428,230
<b>Bergen</b>	33,354,638,351	37,100,852,188	70,455,490,539	7,270,000	70,448,220,539
<b>Burlington</b>	6,108,944,236	13,875,717,442	19,984,661,678	19,207,400	19,965,454,278
<b>Camden</b>	5,226,745,122	13,755,973,868	18,982,718,990	49,747,632	18,932,971,358
<b>Cape May</b>	7,158,467,250	6,081,320,820	13,239,788,070	6,425,260	13,233,362,810
<b>Cumberland</b>	904,544,845	3,069,866,225	3,974,411,070	98,933,220	3,875,477,850
<b>Essex</b>	6,420,660,752	10,575,712,355	16,996,373,107	7,144,000	16,989,229,107
<b>Gloucester</b>	3,169,108,400	7,980,946,651	11,150,055,051	23,273,625	11,126,781,426
<b>Hudson</b>	7,282,483,810	11,473,965,312	18,756,449,122	15,663,600	18,740,785,522
<b>Hunterdon</b>	3,943,243,016	6,269,965,122	10,213,208,138	0	10,213,208,138
<b>Mercer</b>	5,696,085,486	10,508,751,767	16,204,837,253	7,906,130	16,196,931,123
<b>Middlesex</b>	12,678,992,550	22,571,643,070	35,250,635,620	68,361,000	35,182,274,620
<b>Monmouth</b>	16,569,177,590	23,188,736,515	39,757,914,105	14,693,100	39,743,221,005
<b>Morris</b>	12,981,387,814	20,373,629,387	33,355,017,201	341,200	33,354,676,001
<b>Ocean</b>	14,319,120,251	16,956,523,069	31,275,643,320	9,315,700	31,266,327,620
<b>Passaic</b>	8,801,044,963	11,266,341,295	20,067,386,258	1,837,600	20,065,548,658
<b>Salem</b>	657,966,008	2,069,379,516	2,727,345,524	46,161,200	2,681,184,324
<b>Somerset</b>	8,632,551,298	14,780,875,630	23,413,426,928	5,571,050	23,407,855,878
<b>Sussex</b>	2,951,626,313	5,041,744,395	7,993,370,708	1,931,280	7,991,439,428
<b>Union</b>	8,948,738,400	13,054,176,068	22,002,914,468	127,000	22,002,787,468
<b>Warren</b>	1,797,611,842	3,688,154,321	5,485,766,163	1,915,250	5,483,850,913
<b>TOTALS</b>	\$173,885,052,847	\$265,470,087,096	\$439,355,139,943	\$390,123,647	\$438,965,016,296

## Abstract of Ratables and Exemptions 1998 (continued)

	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	
COUNTY	Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies	Net Valuation Taxable (Col. 4 + 5)	General Tax Rate to Apply per \$100 Valuation	County Equalization Table—Average Ratio of Assessed to True Value of Real Property (R.S. 54:3-17 to R.S. 54:3-19)	TRUE VALUE		EQUALIZATION
					(a) U.E.Z. Abatement Expired	(b) Class II Railroad Property (C.139, L. 1966)	(a) Amounts Deducted Under R.S. 54:3-17 to 19
<b>Atlantic</b>	\$ 129,122,734	\$ 18,192,550,964					\$ 180,896,552
<b>Bergen</b>	315,155,598	70,763,376,137					369,556,703
<b>Burlington</b>	164,938,059	20,130,392,337					47,682,871
<b>Camden</b>	198,514,753	19,131,486,111					342,890,087
<b>Cape May</b>	66,005,433	13,299,368,243					116,298,842
<b>Cumberland</b>	46,932,337	3,922,410,187					47,267,974
<b>Essex</b>	121,760,206	17,110,989,313			\$7,872,185		
<b>Gloucester</b>	454,898,182	11,581,679,608					36,153,486
<b>Hudson</b>	162,888,562	18,903,674,084					
<b>Hunterdon</b>	48,522,055	10,261,730,193					62,255,362
<b>Mercer</b>	146,050,381	16,342,981,504			1,345,936		36,384,369
<b>Middlesex</b>	349,158,974	35,531,433,594					70,431,757
<b>Monmouth</b>	393,533,140	40,136,754,145					266,293,923
<b>Morris</b>	245,124,712	33,599,800,713					259,704,209
<b>Ocean</b>	212,545,702	31,478,873,322					36,937,290
<b>Passaic</b>	111,470,432	20,177,019,090					117,462,879
<b>Salem</b>	27,240,036	2,708,424,360					19,046,559
<b>Somerset</b>	125,977,826	23,533,833,704					22,310,092
<b>Sussex</b>	43,874,748	8,035,314,176					77,203,517
<b>Union</b>	132,385,189	22,135,172,657					169,680,153
<b>Warren</b>	43,825,298	5,527,676,211					13,779,896
<b>TOTALS</b>	\$3,539,924,357	\$442,504,940,653			\$9,218,121		\$2,292,236,521

## Abstract of Ratables and Exemptions 1998 (continued)

	Col. 10	Col. 11	Col. 12—APPORTIONMENT OF TAXES				
			<b>Section A</b>				
			<b>County Taxes</b>				
	<u>EQUALIZATION</u>	<u>Net Valuation on</u>	<u>I</u>	<u>II</u>			
	(b)	Which County		ADJUSTMENTS RESULTING FROM			
	Amounts	Taxes Are	Total County	(a)		(b)	
	Added Under	Apportioned	Taxes	County Equalization Table		Appeals and Corrected Errors	
	R.S. 54:3-17 to 19	(Col. 6 – 9(a)	Apportioned	Appeals (R.S. 54:51A-4)		(R.S. 54:4-49; R.S. 54:4-53)	
	and	+ 9(b) – 10(a)	(Including Total	Deduct	Add	Deduct	Add
COUNTY	N.J.S.A. 54:11D-7	+ 10(b))	Net Adjustments)	Overpayment	Underpayment	Overpayment	Underpayment
<b>Atlantic</b>	\$ 747,965,746	\$ 18,759,620,158	\$ 83,726,988.80			\$ 588,056.05	
<b>Bergen</b>	5,826,681,148	76,220,500,582	197,231,811.94			3,237,874.94	
<b>Burlington</b>	1,172,068,466	21,254,777,932	104,943,182.31			213,182.31	
<b>Camden</b>	1,263,493,432	20,052,089,456	165,222,484.00			921,905.00	
<b>Cape May</b>	356,291,886	13,539,361,287	56,869,507.42			217,681.47	
<b>Cumberland</b>	672,997,732	4,548,139,945	43,107,756.51			123,712.61	\$ 41,171.10
<b>Essex</b>	19,762,442,751	36,865,559,879	277,363,150.56			4,496,797.56	
<b>Gloucester</b>	690,695,619	12,236,221,741	72,065,508.26			335,689.78	69,297.52
<b>Hudson</b>	641,442,711	19,545,116,795	179,047,117.50			4,096,480.50	
<b>Hunterdon</b>	309,752,244	10,509,227,075	41,989,714.61			112,527.96	44,813.35
<b>Mercer</b>	3,443,966,807	19,749,218,006	108,199,341.07			563,536.07	
<b>Middlesex</b>	8,764,092,495	44,225,094,332	183,292,034.33			2,778,319.07	9,284.74
<b>Monmouth</b>	2,845,713,814	42,716,174,036	190,197,898.79			497,898.79	
<b>Morris</b>	9,817,089,927	43,157,186,431	121,331,314.06			831,273,.68	
<b>Ocean</b>	1,488,091,221	32,930,027,253	152,124,297.62			337,709.62	
<b>Passaic</b>	3,470,592,120	23,530,148,331	147,201,799.57			1,706,623.67	
<b>Salem</b>	394,484,518	3,083,862,319	27,920,867.23			258,340.31	258,698.84
<b>Somerset</b>	2,646,381,259	26,157,904,871	109,096,361.29			302,964.42	106,603.13
<b>Sussex</b>	629,169,866	8,587,280,525	38,417,790.00			133,803.00	
<b>Union</b>	10,129,136,513	32,094,629,017	151,235,231.62			997,464.62	
<b>Warren</b>	309,213,194	5,823,109,509	41,048,908.91			287,648.04	
<b>TOTALS</b>	\$75,381,763,469	\$515,585,249,480	\$2,491,633,066.40			\$23,039,489.47	\$529,868.68

## Abstract of Ratables and Exemptions 1998 (continued)

Col. 12—APPORTIONMENT OF TAXES

COUNTY	Section A County Taxes			Section B		
	III Net County Taxes Apportioned	IV Municipal Budget State Aid (R.S. 52:27D-118.40)	V Net County Taxes Apportioned Less Municipal Budget State Aid (Col. AIII-IV)	(a) County Library Taxes	(b) County Health Taxes	(c) County Open Space Taxes
<b>Atlantic</b>	\$ 83,138,932.75		\$ 83,138,932.75	\$ 3,539,275.00	\$ 2,938,354.00	\$ 1,875,962.03
<b>Bergen</b>	193,993,937.00		193,993,937.00			
<b>Burlington</b>	104,730,000.00		104,730,000.00	5,187,500.00		4,250,955.00
<b>Camden</b>	164,300,579.00		164,300,579.00	4,387,804.00		
<b>Cape May</b>	56,651,825.95	\$280,972.00	56,370,853.95	3,067,705.46		1,353,936.13
<b>Cumberland</b>	43,025,215.00		43,025,215.00		1,179,400.00	454,813.99
<b>Essex</b>	272,866,353.00		272,866,353.00			
<b>Gloucester</b>	71,799,116.00		71,799,116.00	1,874,003.00		1,223,622.00
<b>Hudson</b>	174,950,637.00		174,950,637.00			
<b>Hunterdon</b>	41,922,000.00		41,922,000.00	3,526,512.00		
<b>Mercer</b>	107,635,805.00		107,635,805.00	6,892,369.00		1,964,805.00
<b>Middlesex</b>	180,523,000.00		180,523,000.00			4,422,509.43
<b>Monmouth</b>	189,700,000.00		189,700,000.00	6,901,964.00	1,029,398.00	10,000,000.00
<b>Morris</b>	120,500,040.38		120,500,040.38			8,631,437.29
<b>Ocean</b>	151,786,588.00		151,786,588.00	14,075,000.00	4,700,000.00	3,951,000.00
<b>Passaic</b>	145,495,175.90		145,495,175.90			
<b>Salem</b>	27,921,225.76		27,921,225.76			
<b>Somerset</b>	108,900,000.00		108,900,000.00	5,651,602.00		7,847,371.00
<b>Sussex</b>	38,283,987.00	20,866.00	38,263,121.00	2,869,130.00	1,015,117.00	
<b>Union</b>	150,237,767.00		150,237,767.00			
<b>Warren</b>	40,761,260.87		40,761,260.87	2,610,155.00		1,164,621.90
<b>TOTALS</b>	\$2,469,123,445.61	\$301,838.00	\$2,468,821,607.61	\$60,583,019.46	\$10,862,269.00	\$47,141,033.77

# Abstract of Ratables and Exemptions 1998 (continued)

Col. 12—APPORTIONMENT OF TAXES

## Section C Local Taxes to be Raised for

COUNTY	I DISTRICT SCHOOL PURPOSES			II LOCAL MUNICIPAL PURPOSES	
	(a) District School Budget	(b) Regional Consolidated and Joint School Budgets	(c) Local School Budget	(a) Local Municipal Budget	(b) Local Municipal Open Space
<b>Atlantic</b>	\$ 168,915,704.00	\$ 27,962,067.69	\$ 3,359,641.63	\$ 188,806,049.42	
<b>Bergen</b>	904,615,531.62	116,052,332.98	1,448,000.00	544,761,256.20	
<b>Burlington</b>	253,883,285.04	69,237,983.97	14,435,731.00	87,089,603.94	
<b>Camden</b>	277,412,522.00	46,275,227.48		120,533,824.83	
<b>Cape May</b>	73,795,829.50	9,985,346.00		84,588,342.16	
<b>Cumberland</b>	40,177,490.00	3,214,011.09	87,726.75	25,923,625.81	
<b>Essex</b>	449,903,339.95	88,535,584.12	9,511,968.59	386,485,375.55	
<b>Gloucester</b>	142,214,337.61	18,667,693.15		69,744,673.45	\$ 56,303.00
<b>Hudson</b>	260,367,651.50		17,092,891.76	270,084,516.96	
<b>Hunterdon</b>	108,533,547.29	53,448,970.74		27,048,983.37	1,571,836.67
<b>Mercer</b>	161,038,033.00	132,301,480.93	1,455,396.00	120,202,888.86	211,003.64
<b>Middlesex</b>	664,668,489.50	28,669,428.24	4,618,540.52	249,540,079.47	1,017,366.00
<b>Monmouth</b>	449,179,679.06	145,991,477.24	34,856.00	221,459,998.21	793,037.92
<b>Morris</b>	433,104,003.81	130,062,771.60		212,019,095.95	3,080,161.01
<b>Ocean</b>	240,305,703.87	129,390,898.92	3,525,123.00	165,528,712.91	
<b>Passaic</b>	287,040,394.00	25,159,915.00	623,252.00	225,915,435.39	
<b>Salem</b>	25,426,973.50	9,599,916.02		5,132,754.03	
<b>Somerset</b>	245,230,820.00	83,523,486.38		91,156,870.77	1,552,936.99
<b>Sussex</b>	101,621,580.39	38,559,713.12		42,858,830.32	30,222.00
<b>Union</b>	402,675,702.50	38,337,025.89	1,555,123.00	260,228,403.96	
<b>Warren</b>	61,673,861.00	21,270,203.00		19,338,746.14	244,743.65
<b>TOTALS</b>	\$5,751,784,479.14	\$1,216,245,533.56	\$57,748,250.25	\$3,418,448,067.70	\$8,557,610.88

## Abstract of Ratables and Exemptions 1998 (continued)

	Col. 12	Col. 13			
<b>COUNTY</b>	<b>Section D Total Tax Levy on Which Tax Rate is Computed</b> <small>(Cols. AV + B(a), (b), (c) + CI(a), (b), (c) + CII (a), (b))</small>	<b>REAL PROPERTY EXEMPT FROM TAXATION</b>			
		(a) <b>Public School Property</b>	(b) <b>Other School Property</b>	(c) <b>Public Property</b>	(d) <b>Church and Charitable Property</b>
<b>Atlantic</b>	\$ 480,535,986.52	\$ 491,637,700	\$ 32,123,400	\$ 1,234,858,660	\$ 212,859,800
<b>Bergen</b>	1,760,871,057.80	1,790,380,007	582,192,800	4,132,629,970	954,121,000
<b>Burlington</b>	538,815,058.95	548,550,770	72,716,200	1,696,647,918	403,974,717
<b>Camden</b>	612,909,957.31	739,215,500	202,918,400	1,166,637,274	547,455,450
<b>Cape May</b>	229,162,013.20	126,130,300	20,339,600	565,980,550	185,794,110
<b>Cumberland</b>	114,062,282.64	175,288,300	20,164,600	471,316,400	117,510,900
<b>Essex</b>	1,207,302,621.21	667,665,000	427,231,900	2,399,298,026	670,006,600
<b>Gloucester</b>	305,579,748.21	367,841,100	177,956,300	350,811,100	253,189,600
<b>Hudson</b>	722,495,697.22	568,352,200	366,594,700	2,287,560,680	646,184,943
<b>Hunterdon</b>	236,051,850.07	191,961,520	4,140,400	604,078,803	143,683,025
<b>Mercer</b>	531,701,781.43	437,994,260	1,366,308,732	1,942,904,790	424,569,990
<b>Middlesex</b>	1,133,459,413.16	1,644,555,000	817,578,200	1,135,128,650	768,367,950
<b>Monmouth</b>	1,025,090,410.43	846,631,200	187,825,199	1,805,059,367	568,864,927
<b>Morris</b>	907,397,510.04	668,527,100	240,170,600	1,790,754,611	620,796,175
<b>Ocean</b>	713,263,026.70	534,074,039	47,065,800	1,968,046,599	365,899,400
<b>Passaic</b>	684,234,172.29	506,344,050	199,561,800	1,329,634,200	623,375,200
<b>Salem</b>	68,080,869.31	87,026,350	17,027,800	146,548,100	70,381,300
<b>Somerset</b>	543,863,087.14	403,885,800	81,967,425	708,668,322	295,698,300
<b>Sussex</b>	225,217,713.83	219,581,400	16,699,200	439,448,429	107,315,390
<b>Union</b>	853,034,022.35	630,465,400	207,072,000	1,766,038,900	594,246,900
<b>Warren</b>	147,063,591.56	136,578,261	48,078,172	210,931,646	105,299,180
<b>TOTALS</b>	\$13,040,191,871.37	\$11,782,685,257	\$5,135,733,228	\$28,152,982,995	\$8,679,594,857

## Abstract of Ratables and Exemptions 1998 (continued)

	Col. 13			Col. 14	
	REAL PROPERTY EXEMPT FROM TAXATION			AMOUNT OF MISCELLANEOUS REVENUE FOR THE SUPPORT OF THE LOCAL MUNICIPAL BUDGET	
COUNTY	(e) Cemeteries and Graveyards	(f) Other Exemptions Not Included in Foregoing Classifications	(g) Total Amount of Real Property Exempt From Taxation  (a + b + c + d + e + f)	(a) Surplus Revenue Appropriated	(b) Miscellaneous Revenues Anticipated
<b>Atlantic</b>	\$ 16,644,500	\$ 777,311,300	\$ 2,765,435,360	\$ 18,587,037.71	\$ 86,185,411.11
<b>Bergen</b>	343,051,900	3,231,200,800	11,033,576,477	65,555,984.58	224,053,194.43
<b>Burlington</b>	13,677,400	479,461,446	3,215,028,451	37,245,101.96	96,382,567.87
<b>Camden</b>	30,503,600	693,431,391	3,380,161,615	30,388,736.92	195,166,375.04
<b>Cape May</b>	2,523,700	244,002,850	1,144,771,110	13,498,903.73	57,271,713.86
<b>Cumberland</b>	5,706,500	75,504,268	865,490,968	9,423,584.33	45,501,064.18
<b>Essex</b>	46,489,900	698,349,962	4,909,041,388	56,232,361.66	498,323,552.78
<b>Gloucester</b>	8,088,800	105,841,817	1,263,728,717	16,948,441.75	54,903,573.88
<b>Hudson</b>	159,102,200	3,156,378,647	7,184,173,370	26,816,826.11	381,495,564.83
<b>Hunterdon</b>	10,895,700	79,345,647	1,034,105,095	17,263,220.49	31,989,899.76
<b>Mercer</b>	19,785,703	599,038,144	4,790,601,619	25,873,717.08	187,402,731.78
<b>Middlesex</b>	95,674,800	1,140,819,700	5,602,124,300	46,694,159.82	251,880,013.04
<b>Monmouth</b>	57,269,700	1,178,304,550	4,643,954,943	60,407,105.15	170,024,695.69
<b>Morris</b>	58,256,825	496,252,172	3,874,757,483	49,124,236.00	131,043,457.39
<b>Ocean</b>	11,016,000	222,013,871	3,148,115,709	48,739,472.46	115,055,051.21
<b>Passaic</b>	76,445,500	326,941,903	3,062,302,653	19,463,248.00	153,957,578.08
<b>Salem</b>	1,459,100	83,315,516	405,758,166	6,784,770.14	36,440,743.65
<b>Somerset</b>	22,044,900	416,774,621	1,929,039,368	31,265,007.07	74,522,017.27
<b>Sussex</b>	3,264,200	109,852,000	896,160,619	14,538,925.50	28,850,743.34
<b>Union</b>	168,877,500	344,011,000	3,710,711,700	28,829,500.00	226,019,789.07
<b>Warren</b>	12,725,716	123,730,458	637,343,433	12,209,214.00	25,421,012.50
<b>TOTALS</b>	\$1,163,504,144	\$14,581,882,063	\$69,496,382,544	\$635,889,554.46	\$3,071,890,750.76

## Abstract of Ratables and Exemptions 1998 (continued)

	Col. 14		Col. 15		Col. 16
	AMOUNT OF MISCELLANEOUS REVENUE FOR THE SUPPORT OF THE LOCAL MUNICIPAL BUDGET		DEDUCTIONS ALLOWED		Total Ratables Determined Pursuant to R.S. 54:1-35 After Equalization Under R.S. 54:1-33 and R.S. 54:1-34
COUNTY	(c) Receipts from Delinquent Tax and Liens	(d) Total of Miscellaneous Revenues (a + b + c)	(a) Full Estimated Amount of Senior Citizen, Totally Disabled and Surviving Spouse Deductions Allowed	(b) Veterans Deductions	
<b>Atlantic</b>	\$ 12,108,082.24	\$ 116,880,531.06	\$ 1,131,675	\$ 485,800	\$ 18,741,619,622
<b>Bergen</b>	26,456,955.00	316,066,134.01	3,834,250	2,021,050	75,676,966,187
<b>Burlington</b>	13,151,200.00	146,778,869.83	1,743,475	1,098,650	21,106,257,839
<b>Camden</b>	16,513,592.00	242,068,703.96	3,093,695	1,142,650	19,795,835,277
<b>Cape May</b>	9,435,000.00	80,205,617.59	689,500	322,450	13,479,103,761
<b>Cumberland</b>	5,917,004.95	60,841,653.46	1,171,750	286,100	4,460,916,221
<b>Essex</b>	51,571,160.43	606,127,074.87	1,846,250	872,700	36,146,419,042
<b>Gloucester</b>	10,433,760.05	82,285,775.68	1,433,875	614,045	12,135,332,179
<b>Hudson</b>	22,164,871.00	430,477,261.94	1,500,000	478,400	19,062,430,234
<b>Hunterdon</b>	5,553,654.43	54,806,774.68	304,500	231,600	10,454,235,899
<b>Mercer</b>	16,972,029.44	230,248,478.30	1,824,500	703,050	19,511,104,330
<b>Middlesex</b>	18,608,618.61	317,182,791.47	3,198,500	1,607,350	43,176,030,088
<b>Monmouth</b>	24,222,616.35	254,654,417.19	1,689,000	1,215,700	42,507,786,616
<b>Morris</b>	13,895,567.00	194,063,260.39	1,089,150	914,805	42,778,503,953
<b>Ocean</b>	19,653,604.02	183,448,127.69	4,085,850	1,886,700	32,836,009,412
<b>Passaic</b>	16,811,714.00	190,232,540.08	1,854,050	778,300	23,196,547,121
<b>Salem</b>	3,947,737.78	47,173,251.57	420,350	176,850	2,925,191,100
<b>Somerset</b>	9,222,303.29	115,009,327.63	844,250	525,900	25,834,770,663
<b>Sussex</b>	7,716,692.93	51,106,361.77	468,400	293,725	8,166,907,303
<b>Union</b>	20,696,753.00	275,546,042.07	2,371,500	1,063,250	31,144,065,905
<b>Warren</b>	5,566,322.30	43,196,548.80	506,350	234,350	5,760,338,290
<b>TOTALS</b>	\$330,619,238.82	\$4,038,399,544.04	35,100,870	\$16,953,425	\$508,896,371,042

**1998 Assessed Value of Partial Exemptions and Abatements**  
**(Summary Addendum to Abstract of Ratables)**

<b>COUNTY</b>	<b>Pollution Control</b>	<b>Fire Suppression</b>	<b>Fallout Shelter</b>	<b>Water/Sewage Facility</b>	<b>UEZ Abatement</b>	<b>Home Improvement</b>	<b>Multi-Family Dwelling</b>	<b>Class 4 Abatement</b>
<b>Atlantic</b>	–	–	–	–	–	–	–	–
<b>Bergen</b>	–	–	–	\$1,220,700	–	\$ 462,500	–	–
<b>Burlington</b>	\$ 4,429,100	\$ 157,000	\$ 1,000	1,200,000	–	64,700	3,120,800	–
<b>Camden</b>	79,000	–	–	–	–	2,052,020	–	538,800
<b>Cape May</b>	–	–	1,000	–	–	113,000	63,700	–
<b>Cumberland</b>	3,863,500	–	–	61,500	–	–	4,442,200	3,652,300
<b>Essex</b>	587,900	–	101,800	–	\$ 5,695,300	36,000	–	48,000
<b>Gloucester</b>	13,507,725	–	–	13,300	–	742,300	–	2,808,700
<b>Hudson</b>	262,400	–	–	2,500,000	–	1,210,900	3,200,600	–
<b>Hunterdon</b>	–	–	–	–	–	–	–	–
<b>Mercer</b>	–	8,090	152,000	62,800	6,174,500	95,700	–	304,840
<b>Middlesex</b>	3,864,000	1,405,600	–	–	–	1,197,600	–	10,357,300
<b>Monmouth</b>	1,820,200	–	–	2,601,200	–	358,500	–	–
<b>Morris</b>	198,400	–	1,000	141,800	–	–	–	–
<b>Ocean</b>	48,600	–	5,800	447,500	–	18,400	20,000	7,672,000
<b>Passaic</b>	–	–	–	274,800	–	639,600	43,800	879,400
<b>Salem</b>	–	–	–	–	–	–	–	2,650,000
<b>Somerset</b>	–	–	–	–	–	3,542,000	–	–
<b>Sussex</b>	–	–	–	–	–	14,040	–	5,440
<b>Union</b>	–	127,000	–	–	–	–	–	–
<b>Warren</b>	1,209,800	–	–	–	598,800	–	–	91,450
<b>TOTALS</b>	<b>\$29,870,625</b>	<b>\$1,697,690</b>	<b>\$262,600</b>	<b>\$8,523,600</b>	<b>\$12,468,600</b>	<b>\$10,547,260</b>	<b>\$10,891,100</b>	<b>\$29,008,230</b>

**1998 Assessed Value of Partial Exemptions and Abatements (continued)**  
**(Summary Addendum to Abstract of Ratables)**

<b>COUNTY</b>	<b>Dwelling Abatement</b>	<b>Dwelling Exemption</b>	<b>New Dwelling/ Conversion Abatement</b>	<b>New Dwelling/ Conversion Exemption</b>	<b>Multiple Dwelling/ Abatement</b>	<b>Multiple Dwelling/ Exemption</b>	<b>Commercial/ Industrial/ Exemption</b>	<b>Total Assessed Value (Col. 3 of Abstract)</b>
<b>Atlantic</b>	-	\$ 2,461,300	-	\$ 171,600	\$ 25,000	-	\$ 1,640,500	\$ 4,298,400
<b>Bergen</b>	\$ 260,400	5,326,400	-	-	-	-	-	7,270,000
<b>Burlington</b>	1,928,500	3,401,800	-	-	10,000	-	4,894,500	19,207,400
<b>Camden</b>	2,053,972	9,167,200	\$ 15,720	6,000	3,746,600	-	32,088,320	49,747,632
<b>Cape May</b>	-	2,529,000	-	1,091,410	-	334,300	2,292,850	6,425,260
<b>Cumberland</b>	1,357,200	7,574,400	-	-	-	-	77,982,120	98,933,220
<b>Essex</b>	12,400	662,600	-	-	-	-	-	7,144,000
<b>Gloucester</b>	-	4,585,900	-	-	-	-	1,615,700	23,273,625
<b>Hudson</b>	3,575,300	4,914,400	-	-	-	-	-	15,663,600
<b>Hunterdon</b>	-	-	-	-	-	-	-	-
<b>Mercer</b>	-	1,108,200	-	-	-	-	-	7,906,130
<b>Middlesex</b>	11,951,200	9,499,900	-	-	-	-	30,085,400	68,361,000
<b>Monmouth</b>	2,141,100	7,505,200	-	27,700	-	214,200	25,000	14,693,100
<b>Morris</b>	-	-	-	-	-	-	-	341,200
<b>Ocean</b>	-	947,400	-	-	-	-	156,000	9,315,700
<b>Passaic</b>	-	-	-	-	-	-	-	1,837,600
<b>Salem</b>	-	456,700	-	-	-	-	43,054,500	46,161,200
<b>Somerset</b>	-	1,595,300	-	-	-	-	433,750	5,571,050
<b>Sussex</b>	-	-	-	-	-	-	1,911,800	1,931,280
<b>Union</b>	-	-	-	-	-	-	-	127,000
<b>Warren</b>	-	-	-	-	-	-	15,200	1,915,250
<b>TOTALS</b>	\$23,280,072	\$61,735,700	\$15,720	\$1,296,710	\$3,781,600	\$548,500	\$196,195,640	\$390,123,647

## 1998 Equalized Value Based On In Lieu Of Taxes

COUNTY	Chapter 12 P.L. 1977 R.S. 54:4-3.104	New Jersey Housing Finance Agency	Short Term in Lieu of Tax Agreements	Total as Reflected in Col. 10(b) of Abstract
Atlantic	-	-	-	-
Bergen	-	-	-	-
Burlington	-	-	-	-
Camden	-	-	-	-
Cape May	-	-	-	-
Cumberland	-	-	-	-
Essex	-	-	-	-
Gloucester	-	-	-	-
Hudson	-	-	-	-
Hunterdon	-	-	-	-
Mercer	-	-	-	-
Middlesex	-	-	-	-
Monmouth	-	-	-	-
Morris	-	-	-	-
Ocean	-	-	-	-
Passaic	-	-	-	-
Salem	-	-	-	-
Somerset	-	-	-	-
Sussex	-	-	-	-
Union	-	-	-	-
Warren	-	-	-	-
<b>TOTALS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Summary of 1998 County Tax Board Appeals Reported Pursuant to C.499 P.L. 1979 (N.J.S.A. 54:3-5.1)

Col. 1	Col. 2									
COUNTY	Total Number of Tax Appeals	Number of Dispositions								
		Assessment Revised	Assessment Affirmed	Stipulated	Freeze Act	Dismissed With Prejudice	Dismissed Without Prejudice	Withdrawn	Classification	Other
<b>Atlantic</b>	2,774	705	303	1,183	0	148	174	242	0	19
<b>Bergen</b>	4,079	1,369	268	921	0	145	1,127	235	2	12
<b>Burlington</b>	1,038	441	35	198	1	51	8	226	0	78
<b>Camden</b>	1,498	104	79	765	0	106	45	134	0	265
<b>Cape May</b>	888	37	56	557	0	142	6	74	5	11
<b>Cumberland</b>	367	6	89	190	0	0	2	80	0	0
<b>Essex</b>	4,295	84	242	1,644	3	412	1,296	573	1	40
<b>Gloucester</b>	360	154	20	104	0	17	23	17	2	23
<b>Hudson</b>	5,693	2,399	306	1,274	0	1	464	1,241	8	0
<b>Hunterdon</b>	290	129	18	77	7	18	15	16	6	4
<b>Mercer</b>	1,358	453	30	592	1	118	38	46	4	76
<b>Middlesex</b>	1,295	419	44	367	1	75	276	106	3	4
<b>Monmouth</b>	2,495	274	383	1,039	0	268	347	163	0	21
<b>Morris</b>	1,593	182	202	810	0	150	70	149	2	28
<b>Ocean</b>	1,781	88	127	695	0	160	56	423	23	209
<b>Passaic</b>	2,312	752	303	277	0	114	760	86	0	20
<b>Salem</b>	89	10	13	53	0	9	0	4	0	0
<b>Somerset</b>	963	288	58	448	0	43	18	89	3	16
<b>Sussex</b>	872	327	112	200	0	133	10	51	23	16
<b>Union</b>	1,267	36	37	512	0	58	443	167	0	14
<b>Warren</b>	250	19	4	158	0	23	16	23	4	3
<b>TOTALS</b>	35,557	8,276	2,729	12,064	13	2,191	5,194	4,145	86	859

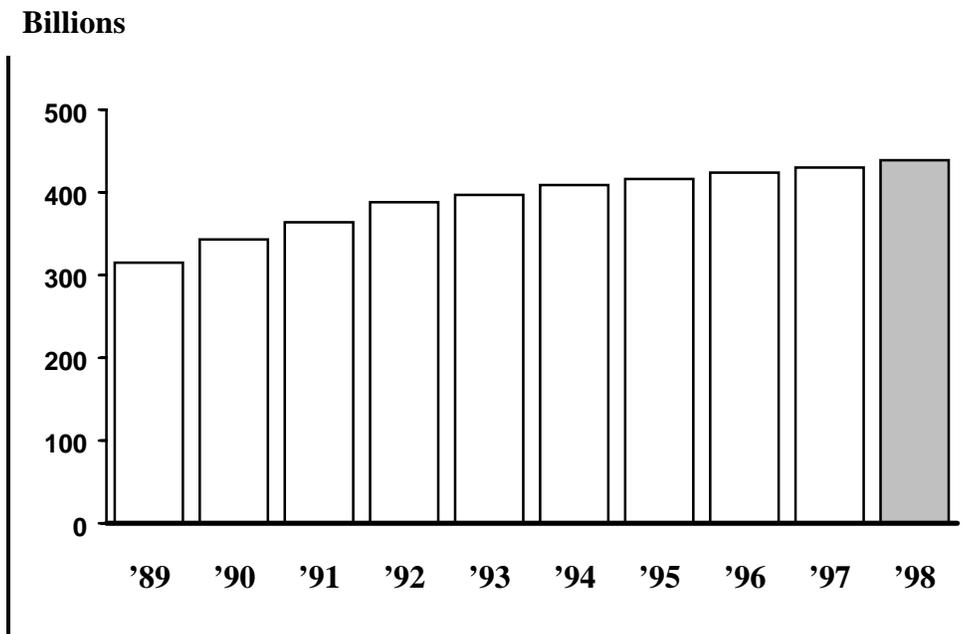
## Summary of 1998 County Tax Board Appeals Reported Pursuant to C.499 P.L. 1979 (N.J.S.A. 54:3-5.1) – continued

	Col. 3			Col. 4			Col. 5	
COUNTY	Number of Appeals in Each Class of Property						Original Amount of Assessments Involved	Total Amount of Assessment Reductions Granted
	Class 1	Class 2	Class 3A	Class 3B	Class 4	Other		
	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial Industrial Apartment			
<b>Atlantic</b>	400	2,130	6	5	226	7	\$ 634,649,760	\$ 50,435,575
<b>Bergen</b>	289	2,639	2	3	1,102	44	1,560,122,570	143,999,624
<b>Burlington</b>	167	623	9	12	223	4	417,947,153	220,489,715
<b>Camden</b>	122	1,135	1	1	238	1	237,991,656	25,920,873
<b>Cape May</b>	102	651	1	0	133	1	159,482,600	18,106,250
<b>Cumberland</b>	33	267	4	1	62	0	61,882,850	19,402,875
<b>Essex</b>	275	2,395	0	2	1,604	19	680,931,000	41,869,955
<b>Gloucester</b>	91	175	4	4	85	1	99,511,811	7,310,628
<b>Hudson</b>	310	3,400	0	0	1,983	0	1,158,748,072	64,884,453
<b>Hunterdon</b>	79	154	13	6	36	2	92,048,403	9,043,900
<b>Mercer</b>	172	1,005	5	4	169	3	215,895,000	26,824,041
<b>Middlesex</b>	201	722	5	8	357	2	428,631,400	34,315,300
<b>Monmouth</b>	369	1,736	10	9	366	5	538,974,027	44,188,842
<b>Morris</b>	300	916	47	15	287	28	495,858,770	49,293,785
<b>Ocean</b>	806	822	3	4	140	6	249,727,000	27,870,517
<b>Passaic</b>	216	1,342	1	1	746	6	368,379,124	20,810,236
<b>Salem</b>	19	56	0	0	14	0	18,188,600	1,507,200
<b>Somerset</b>	152	676	12	10	106	7	324,522,688	32,169,067
<b>Sussex</b>	208	551	25	19	62	7	150,766,130	15,326,041
<b>Union</b>	98	669	0	0	490	10	301,871,200	13,492,000
<b>Warren</b>	32	156	7	1	53	1	46,619,700	7,822,205
<b>TOTALS</b>	4,441	22,220	155	105	8,482	154	\$8,242,749,514	\$875,083,082

**Summary of 1998 County Tax Board Appeals Reported  
Pursuant to C.499 P.L. 1979 (N.J.S.A. 54:3-5.1) – continued**

COUNTY	Col. 6	Col. 7	Col. 8							
	Total Amount of Assessment Increases Granted	Net Total Assessments	Number of Appeals in Each Filing Fee Category							
			\$5.00	\$25.00	\$100.00	\$150.00	Class \$25	Other	No Fee	Total
<b>Atlantic</b>	\$ 2,362,300	\$ 586,576,485	1,823	531	49	31	19	1	320	2,774
<b>Bergen</b>	5,157,449	1,421,280,395	861	1,775	320	155	13	0	955	4,079
<b>Burlington</b>	157,410	197,614,848	467	93	33	20	0	51	374	1,038
<b>Camden</b>	744,000	212,814,783	852	251	42	29	12	0	312	1,498
<b>Cape May</b>	707,000	142,083,350	550	239	57	9	4	0	29	888
<b>Cumberland</b>	776,100	43,256,075	290	35	6	11	4	0	21	367
<b>Essex</b>	12,600	639,073,645	2,918	1,090	110	35	60	82	0	4,295
<b>Gloucester</b>	11,600	92,212,783	127	67	10	10	0	0	146	360
<b>Hudson</b>	1,870,000	1,095,733,619	2,925	1,641	267	66	10	0	784	5,693
<b>Hunterdon</b>	711,897	83,716,400	47	119	15	5	16	0	88	290
<b>Mercer</b>	1,772,600	190,843,559	860	143	37	13	24	281	0	1,358
<b>Middlesex</b>	1,199,500	395,515,600	632	416	96	43	0	0	108	1,295
<b>Monmouth</b>	375,400	495,160,585	1,409	552	140	56	0	238	100	2,495
<b>Morris</b>	2,553,000	449,117,985	316	268	109	30	2	263	605	1,593
<b>Ocean</b>	698,000	222,554,483	954	284	43	16	46	0	438	1,781
<b>Passaic</b>	320,600	347,889,488	1,429	589	79	29	4	0	182	2,312
<b>Salem</b>	0	16,681,400	59	22	6	2	0	0	0	89
<b>Somerset</b>	7,590,077	299,943,698	196	193	34	9	0	0	531	963
<b>Sussex</b>	1,211,374	136,651,463	324	151	13	5	22	0	357	872
<b>Union</b>	571,000	288,950,200	550	527	97	19	0	0	74	1,267
<b>Warren</b>	128,950	38,926,445	141	80	14	1	5	0	9	250
<b>TOTALS</b>	\$28,930,857	\$7,396,597,289	17,730	9,066	1,577	594	241	916	5,433	35,557

## Total Taxable Value Land and Improvements in New Jersey 1989 – 1998



### 1998 County Values

Atlantic	\$ 18,067,726,630	Middlesex	\$ 35,250,635,620
Bergen	70,455,490,539	Monmouth	39,757,914,105
Burlington	19,984,661,678	Morris	33,355,017,201
Camden	18,982,718,990	Ocean	31,275,643,320
Cape May	13,239,788,070	Passaic	20,067,386,258
Cumberland	3,974,411,070	Salem	2,727,345,524
Essex	16,996,373,107	Somerset	23,413,426,928
Gloucester	11,150,055,051	Sussex	7,993,370,708
Hudson	18,756,449,122	Union	22,002,914,468
Hunterdon	10,213,208,138	Warren	5,485,766,163
Mercer	16,204,837,253	<b>Total</b>	<b>\$439,355,139,943</b>



**Public Utility Taxes 1999 (Calendar)**  
**Excise, Franchise, Gross Receipts,**  
**Transitional Energy Facility Assessment (TEFA), and**  
**Uniform Transitional Utility Assessment (UTUA)**

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

<b>Classification</b>	<b>No. of Companies</b>	<b>Excise Taxes</b>	<b>Franchise Taxes</b>	<b>Gross Receipts Taxes</b>	<b>TEFA</b>	<b>UTUA (CBT)</b>	<b>UTUA (S&amp;U)</b>
Energy Companies .....	9	\$ 0	NA	NA	\$227,949,856	\$ 91,938,300	\$270,241,669
Telephone Companies .....	3	0	\$ 0	NA		33,375,917	
Water Companies .....	44	8,570,159	26,816,912	\$42,783,110			
Sewer Companies .....	18	<u>327,584</u>	<u>866,930</u>	<u>1,628,348</u>			
Totals .....	74	\$8,897,743	\$27,683,842	\$44,411,458	\$227,949,856	\$125,314,217	\$270,241,669

**Total Net Tax Assessed ..... \$704,498,785**

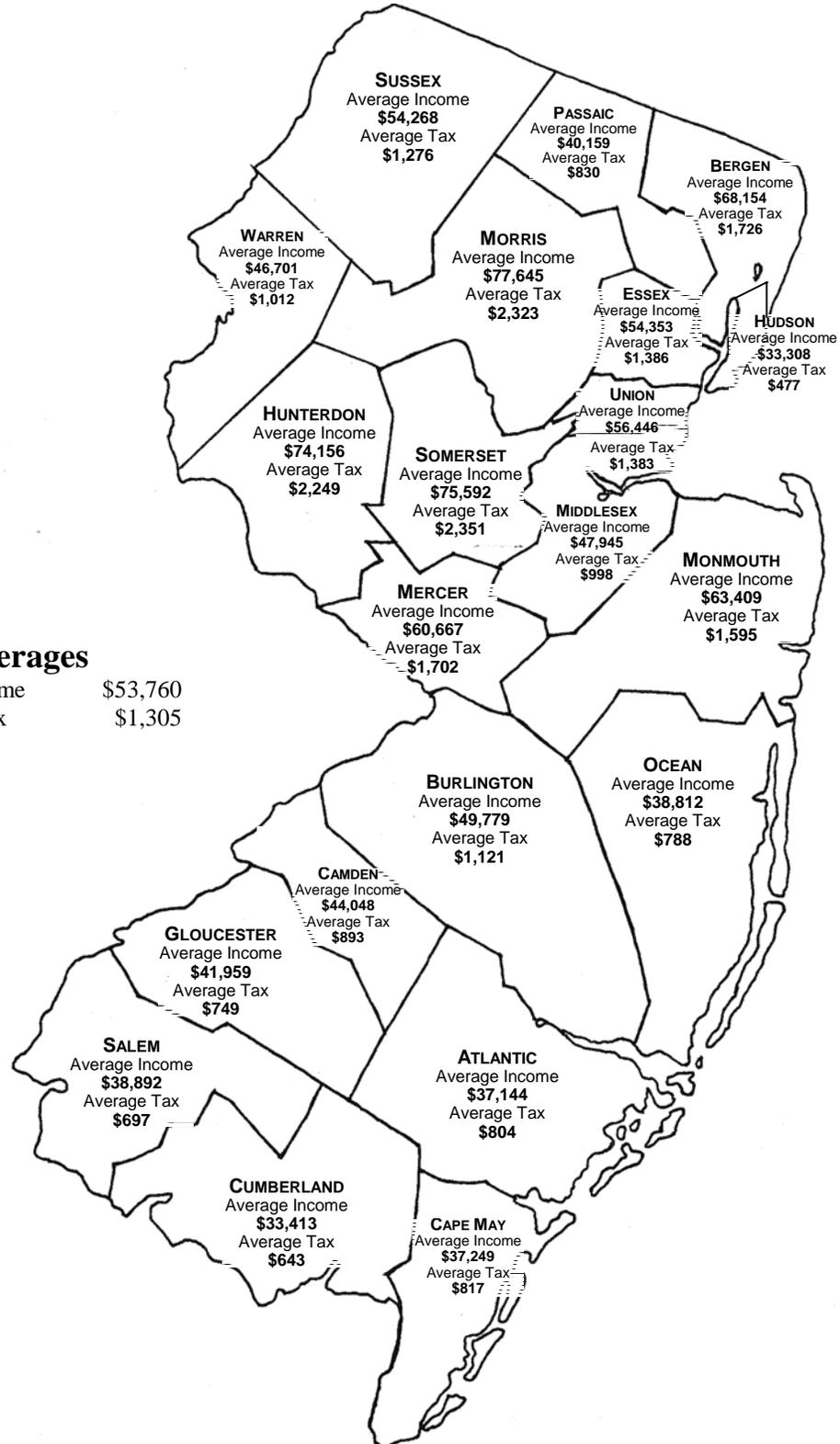
## Individual Income Tax Returns County Profile 1997

County	No. of Returns	NJ Taxable Income	Tax Liability
Atlantic	99,757	\$ 3,322,238,000	\$ 80,225,000
Bergen	401,906	25,393,231,000	693,668,000
Burlington	171,026	7,762,566,000	191,741,000
Camden	203,537	8,117,481,000	181,771,000
Cape May	42,385	1,410,666,000	34,625,000
Cumberland	52,806	1,578,585,000	33,931,000
Essex	288,930	14,396,307,000	400,530,000
Gloucester	95,589	3,623,743,000	71,555,000
Hudson	216,241	6,502,994,000	103,225,000
Hunterdon	51,497	3,540,487,000	115,801,000
Mercer	138,546	7,775,084,000	235,857,000
Middlesex	301,105	13,110,113,000	300,608,000
Monmouth	257,739	15,047,322,000	411,030,000
Morris	197,134	14,275,143,000	457,927,000
Ocean	195,871	6,734,753,000	154,376,000
Passaic	201,021	7,200,339,000	166,922,000
Salem	25,273	888,429,000	17,616,000
Somerset	136,108	9,619,427,000	320,005,000
Sussex	58,441	2,876,290,000	74,598,000
Union	201,096	10,403,274,000	278,104,000
Warren	42,228	1,776,887,000	42,740,000
County Unknown	61,002	4,043,602,000	121,047,000
<b>Totals</b>	<b>3,439,238</b>	<b>\$169,398,961,000</b>	<b>\$4,487,902,000</b>

## Average Gross Income and Average Income Tax By County — Tax Year 1997

### Statewide Averages

Average Gross Income      \$53,760  
Average Income Tax          \$1,305



**Sales and Use Tax Collections by Business Type**  
**Return Years 1996–1998**  
(Dollar Amounts in Thousands)

Business Type	Number of Vendors			Total Collections			% Change	
	1996	1997	1998	1996	1997	1998	1996-7	1997-8
<b>Exempt Organizations</b>	440	465	487	\$ 2,521	\$ 2,044	\$ 2,079	- 18.9%	1.7%
<b>Manufacturing</b>	13,549	13,716	13,013	209,712	227,846	235,987	8.6	3.6
<b>Service</b>	85,383	84,135	80,280	1,157,176	1,217,858	1,336,833	5.2	9.8
<b>Wholesale</b>	11,793	11,988	11,511	185,888	219,443	229,662	18.1	4.7
<b>Construction</b>	19,332	18,962	17,973	89,043	91,287	91,406	2.5	0.1
<b>Retail</b>	95,820	97,324	93,228	2,375,796	2,458,489	2,589,758	3.5	5.3
<b>Government</b>	24	25	33	2,783	3,360	566	20.7	- 83.1
<b>Not Classified</b>	7,191	7,041	7,028	43,078	52,105	63,046	21.0	21.0
<b>Totals</b>	<b>233,628</b>	<b>233,753</b>	<b>223,651</b>	<b>\$4,066,092</b>	<b>\$4,272,529</b>	<b>\$4,549,434</b>	<b>5.1%</b>	<b>6.5%</b>

## 1999 Major Taxes Comparison with Nearby States (continued)

SALES AND USE	CT	DE	MD	MA	NJ	NY State	NY City	OH	PA
YEAR OF ADOPTION	1947	—	1947	1966	1966	1965	1965	1934	1953
CURRENT RATE	6%	None	5%	5%	6%	4% <sup>1</sup>	8.25% <sup>2</sup>	5% <sup>3</sup>	6% <sup>4</sup>

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

<sup>2</sup> New York City rate includes New York State rate.

<sup>3</sup> State rate is 5%; each county may impose an additional 2%.

<sup>4</sup> State rate is 6%; City of Philadelphia imposes an additional 1% for a total of 7%.

### SALES AND USE TAX EXEMPTIONS

(T—Taxable; E—Exempt)

	CT	DE*	MD	MA	NJ	NY	OH	PA
Beer On-Premises	T	E	T	T	T	T	T	T
Beer Off-Premises	T	E	T	E <sup>1</sup>	T	T	T	T
Cigarettes	T	E	T	T	T	T	T	T
Clothing	E <sup>2</sup>	E	T	E <sup>3</sup>	E	T	T	E
Food Off-Premises	E <sup>4</sup>	E	E <sup>4</sup>	E <sup>4</sup>	E <sup>4</sup>	E <sup>4</sup>	E	E <sup>4</sup>
Liquor On-Premises	T	E	T	T	T	T	T	T
Liquor Off-Premises	T	E	T	E <sup>1</sup>	T	T	T	T
Manufacturing Equipment	E	E	E	E	E	E	E	E
Motor Fuels	T	E	E	E <sup>5</sup>	E	T	E	E

\*Delaware does not impose sales and use taxes. Gross receipts taxes of varying amounts (less than 1%) imposed on different types of sales.

<sup>1</sup> If purchased as “take-out” item from a package store.

<sup>2</sup> Single article \$49.99 and under; however, single article \$50.00 or over is taxable.

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

<sup>4</sup> If purchase is in same form and condition as found in supermarket; however, prepared food ready to be eaten and snack food are subject to tax.

<sup>5</sup> If fuel is subject to excise tax. If not for “on road use,” it is not subject to excise tax and, therefore, subject to sales tax. Example: Contractor has a bulldozer for “off road use” which runs on diesel fuel. The fuel is not subject to excise tax; therefore, it is now subject to sales tax, unless used in performance of a government contract.

## 1999 Major Taxes Comparison with Nearby States

	CT	DE	MD	MA	NJ	NY State	NY City	OH	PA
<b>CORPORATION NET INCOME</b>	8.5%	8.7%	7%	8.333%	<b>7.5%, 9%</b>	9%	8.85%	5.1%– 8.9%	9.99%
<b>PERSONAL INCOME</b>	*3%– 4.5%	*2.6%– 6.4%	*2%– 4.85%	5.95%	<b>*1.4%– 6.37%</b>	*4%– 6.85%	*2.96%– 4.46%	*0.673%– 6.799%	2.8%
*Graduated Rates									
<b>MOTOR FUELS<sup>1</sup></b>									
• <b>Excise Tax/Gal.</b>									
<b>Gasoline</b>	\$0.32	\$0.23	\$0.235	\$0.21	<b>\$0.105<sup>2</sup></b>	\$0.08	0	\$0.22	\$0.12
<b>Diesel</b>	\$0.18	\$0.22	\$0.2425	\$0.21	<b>\$0.135</b>	\$0.08	0	\$0.22	\$0.12
• <b>Sales Tax</b>	6%	0.5%	0	5%	<b>0</b>	4%	4.25%	0	0
<sup>1</sup> Various other taxes are applied to motor fuels in the states of Delaware, New Jersey, New York, Ohio and Pennsylvania.									
<sup>2</sup> Liquefied petroleum gas and compressed natural gas used in motor vehicles on public highways is taxed at 1/2 the general motor fuels tax rate (\$0.0525 per gallon).									
<b>ALCOHOL</b>									
• <b>Excise Tax/Gal.</b>									
<b>Beer</b>	\$0.19	\$0.16	\$0.09	\$0.11	<b>\$0.12</b>	\$0.135	\$0.255 <sup>2</sup>	\$0.18	\$0.08
<b>Wine</b>	\$0.60– \$1.50	\$0.97	\$0.40	\$0.55– \$0.70	<b>\$0.70</b>	\$0.1893	\$0.1893 <sup>2</sup>	\$0.32– \$1.50	See Foot- note 4
<b>Liquor</b>	\$2.05, \$4.50	\$2.50, \$3.75	\$1.50	\$4.05	<b>\$4.40</b>	\$2.54, \$6.44	\$3.54, \$7.44 <sup>2</sup>	See Foot- note 4	See Foot- note 4
• <b>Sales Tax</b>	6%	None	5%	5% <sup>1</sup>	<b>6%</b>	4%	8.25% <sup>2</sup>	5%	6%
<sup>1</sup> Purchases for off-premises consumption are not taxable.									
<sup>2</sup> New York City rate includes New York State rate.									
<sup>3</sup> Ohio Department of Liquor Control must pay the State Treasury \$3.38 for each gallon sold.									
<sup>4</sup> In these states, the government directly controls all sales. Revenue is generated from various taxes, fees and net profits.									
<b>TOBACCO</b>									
• <b>Excise Tax</b>									
<b>Cigarettes (20/pack)</b>	\$0.50	\$0.24	\$0.66	\$0.76	<b>\$0.80<sup>2</sup></b>	\$0.56	\$0.64 <sup>1</sup>	\$0.24	\$0.31
<b>Other Tobacco     (% of Wholesale Price)</b>	20%	15%	15%	75%	<b>48%<sup>2</sup></b>	20%	20%	17%	0
• <b>Sales Tax</b>	6%	None	5%	5%	<b>6%</b>	4%	8.25% <sup>1</sup>	5%	6%
<sup>1</sup> New York City rate includes New York State rate.									
<sup>2</sup> New rates effective 1/1/98.									

## Major State Tax Rates (continued)

(On July 1, 1999)

State	Personal Income (%)	Corporation Net Income (Excluding Surtax) (%)	Sales (%)	Motor Fuels (Per Gallon) (\$)	Cigarettes (20-Pack) (\$)
Missouri	*1.5–6%	6.25%	4.225%	\$0.17	\$0.17
Montana	*2–11	6.75	None	0.27	0.18
Nebraska	*2.51–6.68	*5.58–7.81	5	0.241	0.34
Nevada	None	None	6.5	0.24	0.35
New Hampshire	5 <sup>2</sup>	7	None	0.18	0.52
<b>New Jersey</b>	<b>*1.4%–6.37</b>	<b>7.5, 9</b>	<b>6</b>	<b>0.105</b>	<b>0.80</b>
New Mexico	*1.7–8.2	*4.8–7.6	5	0.17	0.21
New York	*4–6.85	9	4	0.08	0.56
North Carolina	*6–7.75	7	4	0.216	0.05
North Dakota	*2.67–12	*3–10.5	5	0.21	0.44
Ohio	*0.673–6.799	*5.1–8.5	5	0.22	0.24
Oklahoma	*0.5–6.75	6	4.5	0.16	0.23
Oregon	*5–9	6.6	None	0.24	0.68
Pennsylvania	2.8	9.99	6	0.12	0.31
Rhode Island	26.5 <sup>3</sup>	9	7	0.28	0.71
South Carolina	*2.5–7	5	5	0.16	0.07
South Dakota	None	None	4	0.22	0.33
Tennessee	6 <sup>2</sup>	6	6	0.20	0.13
Texas	None	4.5	6.25	0.20	0.41
Utah	*2.3–7	5	4.75	0.245	0.515
Vermont	25 <sup>3</sup>	*7–9.75	5	0.19	0.44
Virginia	*2–5.75	6	3.5	0.175	0.025
Washington	None	None	6.5	0.23	0.825
West Virginia	*3–6.5	9	6	0.205	0.17
Wisconsin	*4.77–6.77	7.9	5	0.258	0.59
Wyoming	None	None	4	0.13	0.12
<b>US AVERAGE</b>	2.6%–6.0%	5.5%–6.6%	0.05%	\$0.195	\$0.34

\*Graduated Rates

<sup>1</sup>Applied to percent of adjusted gross income ranging from 25% to 100%.

<sup>2</sup>Imposed on interest and dividend income only.

<sup>3</sup>Of Federal adjusted gross income.

## Major State Tax Rates (On July 1, 1999)

State	Personal Income (%)	Corporation Net Income (Excluding Surtax) (%)	Sales (%)	Motor Fuels (Per Gallon) (\$)	Cigarettes (20-Pack) (\$)
<b>Alabama</b>	*2%–5%	5%	4%	\$0.16	\$0.165
<b>Alaska</b>	None	*1–9.4	None	0.08	1.00
<b>Arizona</b>	*2.87–5.04	8	5	0.18	0.58
<b>Arkansas</b>	*1–7	*1–6.5	4.625	0.195	0.315
<b>California</b>	*1–9.3	8.84	6	0.18	0.87
<b>Colorado</b>	5	5	3	0.22	0.20
<b>Connecticut</b>	*3–4.5 <sup>1</sup>	8.5	6	0.32	0.50
<b>Delaware</b>	*2.6–6.4	8.7	None	0.23	0.24
<b>Dist. of Columbia</b>	*6–9.5	9.975	5.75	0.20	0.65
<b>Florida</b>	None	5.5	6	0.04	0.339
<b>Georgia</b>	*1–6	6	4	0.075	0.12
<b>Hawaii</b>	*1.6–8.75	*4.4–6.4	4	0.16	1.00
<b>Idaho</b>	*2–8.2	8	5	0.25	0.28
<b>Illinois</b>	3	4.8	6.25	0.19	0.58
<b>Indiana</b>	3.4	3.4	5	0.15	0.155
<b>Iowa</b>	*0.36–8.98	*6–12	5	0.20	0.36
<b>Kansas</b>	*4.1–6.45	4	4.9	0.20	0.24
<b>Kentucky</b>	*2–6	*4–8.25	6	0.15	0.03
<b>Louisiana</b>	*2–6	*4–8	4	0.20	0.20
<b>Maine</b>	*2–8.5	*3.5–8.93	5.5	0.19	0.74
<b>Maryland</b>	*2–4.85	7	5	0.235	0.66
<b>Massachusetts</b>	5.95	8.333	5	0.21	0.76
<b>Michigan</b>	4.4	2.3	6	0.19	0.75
<b>Minnesota</b>	*6–8.5	9.8	6.5	0.20	0.48
<b>Mississippi</b>	*3–5	*3–5	7	0.18	0.18

\*Graduated Rates

<sup>1</sup>Applied to percent of adjusted gross income ranging from 25% to 100%.