

New Jersey State Tax news

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Taxation Boot Camp

The Division of Taxation welcomed 171 new hires in May of 2017. Taxation University, the Division's Education and Outreach Unit, conducted the first-ever Taxation Boot Camp to prepare the employees for their new roles.

This intensive four-week training was coined "Boot Camp" because of its structure and mission as the first step in the Division's transition to a more customer-focused agency. The program was designed to prepare new hires for their job assignments by introducing them to the core mission and major taxes administered by the Division. In addition to teaching tax basics and organizational responsibilities, we equipped them with a new vision for the Division of Taxation: Make it easy for the public to file and pay taxes.

After graduation from Boot Camp, our newest taxpayer service representatives, auditors, and investigators continued their education with specialized training in their own Activities.

The new workforce is now on the job and here to help make your Taxation experience better by improving:

- Hold times at our Customer Service Center;
- Our website's look and usability;
- Billing and Notice language;

- Audit and Investigation experiences;
- Updates on legislation and legal rulings.

The Division is proud to have such resourceful and knowledgeable new employees join the team, and we look forward to making it easier for you to voluntarily comply with your tax responsibilities. □

Senior Freeze Checks in the Mail

In mid-July, the Division of Taxation began mailing checks for the 2016 Senior Freeze to qualified senior and disabled homeowners who filed applications by the original filing deadline of June 1, 2017. We will issue checks as quickly as possible to homeowners who file their applications between the original June 1 deadline and the extended deadline of October 18, 2017.

The State Budget has set the following qualifications for Senior Freeze payments: Applicants are eligible if their income did not exceed \$87,007 for 2015 and \$70,000 for 2016, as long as they meet all other requirements. Residents whose income was more than \$70,000 but was \$87,007 or less will not receive checks for 2016. We will notify them that they are not eligible. However, those residents can establish a "base year" for future reimbursements by filing an application by the deadline. This

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Pictured left to right: Senior Special Agent Lloyd Martin, Special Agent Nelson Avery, and Supervising Special Agent Marijane Lamattina.

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also ensures that we will mail them applications next year.

Additional information on the Senior Freeze program is available on our [website](#). □

Public Service Award

On April 19, 2017, Dana Boente, U.S. Attorney for the Eastern District of Virginia, presented Supervising Special Agent Marijane Lamattina, Senior Special Agent Lloyd Martin, and Special Agent Nelson Avery with the U.S. Attorney's Public Service Award.

The agents, members of the Office of Criminal Investigation (OCI), were recognized for their work on an investigation into a transnational cigarette trafficking operation that

involved New Jersey residents. Their efforts resulted in the shutdown of the \$9.5 million smuggling ring that defrauded four jurisdictions of various taxes.

During the investigation, the OCI agents worked with U.S. Homeland Security Investigations and Task Force Officers from the Northern Virginia Financial Initiative. They reviewed thousands of pages of business records from wholesale clubs and storage facilities; cellphone, motor vehicle, and EZ Pass records; and a host of documents that targeted the perpetrators and their cohorts, including records from local law enforcement organizations located along the Northeast Corridor.

As a result of the agents' significant contributions to this case, the three conspirators pleaded guilty and were sentenced accordingly. □

New Jersey State Tax news

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This publication is designed to keep taxpayers, tax practitioners, and the general public informed of developments, problems, questions, and matters of general interest concerning New Jersey tax law, policy, and procedure, and is accurate as of the date issued. Subsequent changes in tax law or its interpretation may affect the accuracy of the information contained in this publication. The articles in this newsletter are not designed to address complex issues in detail, and they are not a substitute for New Jersey tax laws and/or regulations.

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GROSS INCOME TAX

Credit for Taxes Paid to Philadelphia

If a taxpayer paid tax to Philadelphia on income earned there and that income also is subject to New Jersey tax in the same year, the taxpayer may be eligible for a credit for taxes paid to another jurisdiction on his/her New Jersey Income Tax return.

A common problem in calculating a credit for Philadelphia is that taxpayers often include income that was not taxed by both New Jersey and Philadelphia. For example, 401(k) retirement contributions are taxable for Philadelphia purposes but are not taxable for New Jersey purposes. Since income must be subject to tax by both jurisdictions, the amount of the 401(k) contributions must be deducted from the income earned in Philadelphia when calculating the credit.

To determine the proper amount of income to include when calculating the credit, the taxpayer must first divide the wage tax paid by the Philadelphia tax rate. The result is the amount of income actually taxed by Philadelphia. This amount cannot exceed the income reported on Line 14 of the NJ-1040. Individuals who worked only in Philadelphia must then deduct the full 401(k) contribution amount. Individuals who worked both inside and outside Philadelphia must deduct the 401(k) contributions made while working in Philadelphia. Information about the Philadelphia wage tax rate is available on the Philadelphia Revenue Department's [website](#).

For additional information, see [GIT-3W](#), *Credit for Taxes Paid to*

Other Jurisdictions (Business/Non-wage Income) and [GIT-3B](#), Credit for Taxes Paid to Other Jurisdictions (Wage Income). □

LOCAL PROPERTY TAX
Tax Assessors' Calendar

July 1–

- If County Board of Taxation cannot hear and determine appeals within the time prescribed in N.J.S.A. 54:3-26, the Board may apply to the Director, Division of Taxation, for an extension at any time.
- MOD IV Master file sent to Property Administration via appropriate medium.
- Assessor to mail Application for Farmland Assessment (Form FA-1) for Tax Year 2018 together with a notice that the completed form must be filed with assessor by August 1, 2017, to claim continuance of Farmland Assessment.
- Disallowed Property Tax Deduction recipients granted a filing extension required to pay back tax deductions previously granted. If unpaid, become real property liens.

2nd Tuesday in July–

- State Equalization Table prepared.

July 15–

- Senior Freeze (Property Tax Reimbursement) payments mailed to eligible claimants who filed by June 1.

August 1–

- Owners of farmland must file Application for Farmland Assessment (Form FA-1) with the

assessor to have land assessed under Farmland Assessment Act for Tax Year 2018.

August 5–

- All SR-1A forms showing sales transactions to be used in compiling 2017 Table of Equalized Valuations for State School Aid to be received by Property Administration.

August 15–

- County Board of Taxation Presidents to file annual appeal information and statistics report (Form TAS) with Director, Division of Taxation.

August 25–

- State Equalization Table completed by Director, Division of Taxation.

September 1–

- Extension to file Application for Farmland Assessment (Form FA-1) where assessor determines failure to file by August 1 was due to owner's illness or death or the death of an immediate family member.
- Local exchange telephone, telegraph, and messenger system companies file tangible business personal property returns (Form PT-10) for Tax Year 2018 with the assessor for taxing district in which property is located.
- Petroleum refineries file tangible business personal property returns (Form PT-10.1) with assessor for Tax Year 2018 for machinery, apparatus or equipment directly used to manufacture petroleum products from crude oil.



assessors' calendar – from pg. 3

September 10–

- County Board of Taxation to revise Table of Aggregates to include the tax rate for local taxing purposes for municipalities having adopted the State fiscal year.

September 13–

- County Tax Board transmits Table of Aggregates to County Treasurer who then files, prints, and transmits to Taxation and Local Government Services Directors, State Auditor, Municipal Clerks, and Clerk of Board of Freeholders.

The complete [2017 Work Calendar](#) is available on the Division's website.

Monmouth County Demonstration Program

P.L. 2013, c.15, established a Real Property Assessment Demonstration program to make the assessment of real property more precise by using technology-driven procedures. This will benefit municipalities by reducing the number of successful

appeals, thereby protecting funding of municipal budgets from the impact of losses due to appeal refunds. Monmouth County was the first county to adopt this program, which began October 1, 2013.

The summer dates on the Monmouth County assessors' calendar coincide with the dates of the regular assessors' calendar with one exception: the July provision for the extension of the time to hear and determine an appeal(s) does not apply to the Monmouth County Assessment Demonstration program.

The complete [2017 Monmouth County Work Calendar](#) is available on the Division's website. □

Criminal Enforcement

- On January 24, 2017, a Hudson County Grand Jury returned a five-count indictment against Alexandra and Leonardo Masso. This indictment follows a criminal investigation that was conducted by the Hudson County Prosecutor's Office in conjunction with the Office of Criminal Investigation's Financial Investigation Unit. The investigation revealed that Alexandra, along with her husband Leonardo, used her position as office manager to embezzle money from Miller Dental Arts. Alexandra and Leonardo Masso were indicted on second-degree theft by unlawful taking, second-degree conspiracy, third degree forgery, third-degree filing a fraudulent return, and third-degree failure to pay.
- On February 2, 2017, an Office of Criminal Investigations (OCI) intelligence officer received

information that New Jersey State Police (NJSP) had made a motor vehicle stop in Carneys Point, New Jersey. One of the charges filed was transportation of untaxed cigarettes. NJSP contacted OCI per protocol, and OCI picked up and examined the contraband cigarettes. A total of seven cartons of Maryland state tax-stamped cigarettes were transferred to OCI. Additionally, Detective Long of the Moorestown Station charged each of the three individuals with theft, use of fictitious credit cards, possession of fraudulent credit cards, trafficking the personal identities of victims, possession of a controlled dangerous substance, and transporting contraband cigarettes. OCI will also file charges for failure to maintain records of cigarette purchases with the intent of evading State Cigarette Tax.

- On February 9, 2017, the U.S. Food and Drug Administration (FDA), Center for Tobacco Products, Office of Compliance and Enforcement began cooperating with OCI in enforcement activities. The FDA contracts with the New Jersey Department of Health to provide tobacco age-of-sale and related civil product compliance when contractors buy cigarettes and other tobacco products in New Jersey. OCI will now receive photographs of the purchased cigarette packs to ensure the presence of a legitimate New Jersey tax stamp as well as other data to be used to meet the due diligence requirement under the Master Settlement Agreement.
- On February 16, 2017, NJSP conducted a motor vehicle stop

Interest 6.50%

The interest rate assessed on amounts due for the period January 1, 2017 – December 31, 2017, will be 6.50%.

The assessed interest rate history is listed below.

Effective Date	Interest Rate
1/1/11	6.25%
1/1/12	6.25%
1/1/13	6.25%
1/1/14	6.25%
1/1/15	6.25%
1/1/16	6.25%
1/1/17	6.50%



criminal enforcement – from page 4

of Abdulfatah Alsaïdi of Virginia Beach, Virginia, who was in possession of 270 cartons of Virginia-stamped cigarettes. OCI responded and seized the cigarettes. Alsaïdi was charged with transportation of contraband cigarettes, knowingly or purposely possessing a controlled dangerous substance, and possessing 20,000 or more cigarettes to which the New Jersey tax stamp has not been applied.

- On March 9, 2017, U.S. District Court Judge Robert E. Payne sentenced Eyad Salahedin of Elmwood Park, New Jersey, to the maximum of five years in federal prison, followed by three years of supervised release. Salahedin pleaded guilty in November 2016 to one count of federal conspiracy to traffic contraband cigarettes in the Eastern District of Virginia, which is a felony offense. He began his prison term May 16, 2017. Salahedin was also ordered to pay restitution of \$5,622,021 to the State of New Jersey. He must pay \$150 per month or 25% of his gross monthly income, whichever is greater. The guilty plea was the result of a three-year contraband cigarette trafficking investigation. Between March 2014 and August 2015, Salahedin and his co-conspirators used fictitious businesses and stolen and false identities to purchase \$9.6 million in cigarettes from big box stores (e.g., Sam’s Club, Costco) in Virginia. Salahedin provided conspirators with false identities, vehicles, and cash to make the purchases, and the cigarettes were smuggled north to be resold in the northern New Jersey and metro New York area. In this region, a

carton of cigarettes can be sold for up to double the Virginia purchase price, making cigarette trafficking a highly lucrative but illegal trade. Throughout the course of this investigation, OCI used various investigative tools to target Salahedin, including conducting surveillance operations from New Jersey to Virginia, effectively bringing an end to the cigarette smuggling ring. The case was investigated by OCI, with assistance from the New Jersey Office of Homeland Security and Preparedness (OHSP), U.S. Homeland Security Investigation–Newark (HSI), and Washington–Baltimore HIDTA Task Force’s Northern Virginia Financial Initiative.

- On March 10, 2017, an undercover sale of counterfeit and out-of-state cigarettes was arranged in Woodbridge, New Jersey. After the transaction took place, OCI special agents entered the location and identified all individuals inside. They arrested the two subjects and proceeded with a compliance inspection of the business. Tejashkum Patel was identified as the owner of the business and was charged with multiple indictable and disorderly persons offenses.

Darshanku Patel was also charged with indictable offenses. Both sets of charges allege violations of the Cigarette Tax Act and the Tobacco Products Wholesale Sales and Use Tax Act. The men were processed and released on summons complaints. A total of 135 cartons of counterfeit-stamped and out-of-state stamped cigarettes were seized. In addition, 1,903 cigars were seized after the suspects were unable to show that Tobacco Tax had been paid, and \$8,631 of U.S. currency was seized pending forfeiture by the courts.

- On March 28, 2017, OCI special agents arrested Richard Yanuzzi of Belleville, New Jersey, after a compliance inspection of his business, Cigar Emporium, on Ridge Road in Lyndhurst. He was charged with 12 third-degree counts of failure to file and failure to pay for reporting periods following his indictment on similar charges in September 2016. He was also charged with two disorderly persons offenses: possession of untaxed goods and failure to display a license. None of the tobacco products

continued on page 6

Enforcement Summary Statistics **Second Quarter 2017**

Following is a summary of enforcement actions for the quarter ending June 30, 2017.

	Number	Amount
• Bank Levies	805	\$ 2,481,837
• Certificates of Debt	2,655	38,204,301
• Seizures	81	1,059,635
• Auctions	11	56,310
• Warrants of Satisfaction	3,315	

criminal enforcement – from pg. 5

purchase invoice records located during the inspection indicated Tobacco Products Tax paid. A total of 37,098 untaxed cigars were seized. Yanuzzi is awaiting adjudication of the other Tobacco Products Tax counts and Sales and Use Tax counts from prior cases.

- On March 29, 2017, the founder and director of the School for Children with Hidden Intelligence (SCHI) in Lakewood, New Jersey, was indicted on charges that he misappropriated over \$630,000 in public tuition funds, using a purported fundraising foundation for the school in his alleged schemes to steal and launder money. The private school's founder and director, Rabbi Osher Eisemann, of Lakewood, was indicted along with the purported fundraising foundation for the school, Services for Hidden Intelligence, LLC, on second-degree charges of theft by unlawful taking, misapplication of entrusted property and property of government, and money laundering. The State Grand Jury indictment also charges Eisemann with second-degree misconduct by a corporate official. The indictment is the result of an ongoing joint criminal

investigation by the Division of Criminal Justice and OCI. □

Tax Briefs

Corporation Business Tax
S Corporations Responsible for Payment of NJ Income Taxes Owed by Nonconsenting Shareholders — S corporations generally do not make direct payments of New Jersey Income Taxes. Instead, the corporation's earnings or losses are divided among and passed through to the corporation's shareholders. Shareholders are responsible for paying any tax owed. All initial shareholders must agree to pay taxes to New Jersey in this manner when they form an S corporation and register it in the State. When an S corporation registered in New Jersey alters or expands its ownership, new shareholders also are responsible for reporting taxable gains and losses. However, some new shareholders may not consent to file a New Jersey Income Tax return.

Under N.J.S.A. 54:10A-5.22(b)(3): “If shareholders *that are not initial shareholders*” fail to consent to pay New Jersey taxes on New Jersey S corporation results, the State shall “have the right and jurisdiction to collect a payment...*directly from the corporation*....In such case, the corporation shall have the right but not the obligation to recover payments made by the corporation...from each nonconsenting shareholder.” (Emphasis added.)

In addition, under N.J.A.C. 18:7-20.1(c)(1)(iii): “With respect to nonconsenting shareholders, the corporation and consenting shareholders consent to the corporation assuming any tax liabilities of the non-consenting shareholder as may

be required pursuant to N.J.S.A. 54:10A-5.22b.” An existing shareholder whose percentage of stock ownership changes is not considered a new shareholder. The election to consent to taxation is made on Form CBT-2553.

There is a limited exemption to the procedures set forth above when a nonconsenting, nonresident shareholder elects to participate in a composite return under N.J.A.C. 18:35-5.2, which states, in part, that: “(a) A general partnership, a limited partnership, a limited liability partnership (LLP), a limited liability company (LLC), a New Jersey electing S corporation, an estate, a trust, or a professional athletic team (as defined in N.J.A.C. 18:35-5.1) doing business or conducting activities in New Jersey, or having income derived from or connected with sources within New Jersey may file a composite New Jersey Nonresident Gross Income Tax Return (Form NJ-1080-C) on behalf of its qualified nonresident individual partners, members, shareholders, or beneficiaries, as the case may be, who elect to file such return....”

Tax payments made by an S corporation on behalf of its nonconsenting shareholders on Form NJ-1080-C will satisfy the corporation's requirement to make tax payments under N.J.S.A. 54:10A-5.22(b)(3) for the participating shareholders. The filing of Form NJ-1080-C by an S corporation does not relieve the corporation from making payments on behalf of nonconsenting shareholders that do not elect or qualify to participate on Form NJ-1080-C.

This entire procedure is avoided if the shareholder consents to taxation

Public Auction Information

Announcements of upcoming public auctions of seized property are published on the Division of Taxation's website under [Auction Information](#). Select the name of the business from the list for details about that auction.



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in New Jersey of the earnings from a New Jersey-registered S corporation. The Division encourages all shareholders of an S corporation registered in New Jersey to consent to taxation in New Jersey in order to avoid additional tax filings and paperwork.

Property Tax Relief Programs
Operation Uphold Democracy in Haiti — A taxpayer wrote to the Division questioning why the military service period known as Operation Uphold Democracy in Haiti is not included when determining whether someone is eligible for the New Jersey Veteran’s Property Tax Deduction and the Disabled Veteran’s Property Tax Exemption. The taxpayer noted that such service qualifies a veteran for hiring preference for New Jersey civil service purposes.

The Division acknowledged that the provision of the Civil Service Act that relates to veterans’ preferences for employment purposes specifically includes Operation Uphold

Democracy in Haiti (N.J.S.A. 11A:5-1b(12)). However, the laws (N.J.S.A. 54:4-8.10 and 54:4-3.33a, respectively) that define active service in time of war periods for purposes of the Veteran’s Property Tax Deduction and the Disabled Veteran’s Property Tax Exemption do not include Operation Uphold Democracy in Haiti as one of the qualifying wartime service periods.

As a result, service during Operation Uphold Democracy in Haiti does not qualify a veteran for the Veteran’s Property Tax Deduction or the Disabled Veteran’s Property Tax Exemption.

As an administrative agency, the Division of Taxation is required to administer and enforce the tax laws enacted by the New Jersey Legislature and has no authority to deviate from the specific language and intent of any statutory provision. Only the Legislature can change the definition of active service in time of war for the purposes of determining eligibility for the Veteran’s Property

Tax Deduction or the Disabled Veteran’s Property Tax Exemption. □

In Our Legislature Administration

New Jersey Open Data Initiative — P.L. 2017, c.2, signed into law on February 6, 2017, and effective May 7, 2017, requires that certain information be provided on the internet to public and State agencies. The law implements the creation of a standard dataset (a named collection of related, digitally stored data) format to be used by all agencies under the direction of a Chief Data Officer.

Corporation Business Tax Emerging New Jersey Technology Holding Companies Investments — P.L. 2017, c.40, signed into law on May 1, 2017, effective immediately, and applicable retroactively to qualified investments made for tax years beginning on or after January 1, 2012, amends the New Jersey Angel Investor Tax Credit Act to allow a tax credit against the Corporation Business Tax and Gross Income Tax for qualified investments in a New Jersey emerging technology business holding company. The bill provides that for the tax credit to be allowed, 100% of the taxpayer’s qualified investment in the New Jersey emerging technology business holding company must be transferred from the holding company to the New Jersey emerging technology business.

Gross Income Tax Emerging New Jersey Technology Holding Companies Investments — See Corporation Business Tax.

Pay NJ Taxes Electronically
www.state.nj.us/treasury/taxation/payelect.shtml

Electronic Check (E-Check)

Make a payment directly from your bank account online or by phone (609-292-6400).

Credit Card Pay online or by phone (1-888-673-7694).



in our legislature – from page 7

Wounded Warrior Caregivers Relief Act — P.L. 2017, c.67, signed into law on May 11, 2017, effective immediately, and applicable to tax years beginning on or after January 1, 2018, provides an Income Tax credit to family caregivers of certain armed service members with physical disabilities. A qualified family caregiver is eligible for an Income Tax credit equal to 100% of the federal veteran disability compensation or \$675, whichever is less.

Miscellaneous

Small Business Bonding Readiness Assistance Program — P.L. 2016, c.84, signed into law on January 4, 2017, effective immediately, and inoperative for 30 days following the date of enactment, establishes the Small Business Bonding Readiness Assistance program in the New Jersey Economic Development Authority (EDA). The EDA will maintain the program, which provides support services to small businesses and assists small businesses in securing surety bonding so they can bid on public works projects or perform contracts offered by the State or federal government. The EDA would enter into an agreement with a non-profit business advocacy association to provide this assistance. □

– December 31, 2017) for businesses and individuals:

- **Chronological List of Filing Deadlines** — This calendar is for use by both businesses and individuals. If you are responsible for a return that is not in this calendar, please refer to the instructions that accompanied the return, or contact the Customer Service Center at 609-292-6400 for the appropriate filing deadline.

[2016](#) [2017](#)

- **Alphabetical Summary of Due Dates by Tax Type**

[2016](#) [2017](#)

- **Payment Dates for Weekly Payers** — An employer or other withholder of New Jersey Gross Income Tax is a “weekly payer” if the amount of tax it withheld during the previous tax year was \$10,000 or more.

[2016](#) [2017](#) □



*important
phone
numbers*

Customer Service Ctr....	609-292-6400
Automated Tax Info ...	1-800-323-4400
.....	609-826-4400
Homestead Benefit Hotline for Homeowners.....	1-888-238-1233
Property Tax Reimbursement Hotline.....	1-800-882-6597
Earned Income Tax Credit Information.....	609-292-6400
Business Paperless Telefiling System	609-341-4800
Alcoholic Bev. Tax	609-633-7068
Corp. Liens, Mergers, Withdrawals & Dissolutions.....	609-292-5323
Director’s Office	609-292-6400
Inheritance Tax.....	609-292-5033
Local Property Tax.....	609-292-7974
Motor Fuels Tax Refunds	609-633-8870
Public Utility Tax.....	609-633-2634

Tax Calendar

The following three calendars provide listings of filing and payment dates for Tax Year 2016 (January 1, 2016 – December 31, 2016) and Tax Year 2017 (January 1, 2017