TREASURY – TAXATION
DIVISION OF TAXATION

General Policies and Procedures; Refund claim procedures
Proposed Amendment: N.J.A.C. 18:2-5.8

Authorized By: Robert K. Thompson, Director, Division of Taxation
Authority: N.J.S.A. 54:50-1 and 54:49-14
Calendar Reference: See Summary below for explanation of exception to calendar
requirement
Proposal Number: PRN 2006 -

   Submit comments by **May 5, 2006** to:
     Nicholas Catalano
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     Division of Taxation
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The agency proposal follows:

Summary

The proposed amendment to N.J.A.C. 18:2-5.8 requires taxpayers that file a claim for refund of sales tax to include with the refund claim copies of receipts for transactions that are the subject of the refund claim. The amendment also requires sales tax refund claims that involve 50 or more separate transactions to include with the refund claim a computer spreadsheet showing the transactions. The proposed amendment requires taxpayers to submit the spreadsheet to the Division electronically with the refund claim or send the spreadsheet to the Division on a computer disk. The amendment allows taxpayers to satisfy the refund claim spreadsheet requirement by submitting a spreadsheet created with Microsoft Excel or any other Excel compatible spreadsheet application. The amendment is proposed under the authority of N.J.S.A. 54:49-14a, which allows the Division to prescribe the form for filing of refund claims.

As the Division has provided for a 60-day comment period for this notice of proposal, this notice is excepted from the rulemaking calendar requirement pursuant to N.J.A.C. 1:30-3.3(a)5.

Social Impact

The proposed amendment is intended to codify the Division's policy on supporting documentation for sales tax refund claims and the procedure for filing refund claims that involve 50 or more transactions. It is anticipated that processing costs to the Division will be lessened and processing time decreased, allowing for faster payment of

refunds to taxpayers.   In most cases, businesses that file claims for refund of sales tax

currently file copies of receipts as supporting documentation. Refund claims of sales tax

are often accompanied by boxes containing hundreds of separate paper receipts. However, in many cases the taxpayer has already logged the relevant transactions on to a spreadsheet. If the taxpayer-business provides to the Division a computer spreadsheet showing the transactions, the Division will not be required to repeat the time-consuming task of entering and correlating all of the hundreds of transactions related to the refund claim into a spreadsheet on to the Division's computer system. The Division will be able to utilize the spreadsheet to calculate the proper refund amount and provide a more accurate response to the taxpayer's refund claim. States across the country are moving toward paperless processing methods in order to increase efficiency and accuracy, and this initiative will enable the State to keep up with technological advances being used across the nation.

Economic Impact

The proposed amendment requiring that certain refund claims include a computer spreadsheet should reduce the Division's administrative costs as fewer paper documents related to refund claims are required to be individually logged into the Division's computer systems. Further, the Division will see increased efficiency in processing refund claim information which will result in more accurate refunds. The requirement that taxpayers continue to file hard copies of receipts with refund claims will protect State revenues by allowing the Division to audit and verify refund claims as necessary.

Federal Standards Statement

A Federal standards analysis is not required because the proposed amendment outlines a State refund filing requirement and there are no applicable Federal standards or requirements.

Jobs Impact

The proposed amendment will not result in the generation or loss of jobs.

Agriculture Industry Impact

The proposed amendment will have no impact on the agriculture industry.

Regulatory Flexibility Analysis

The proposed amendment applies to small businesses, as defined under the Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq., as well as to businesses employing more than 100 people. The mandate to use spreadsheet software for refund claims of sales tax will affect taxpayers that file refund claims involving 50 or more transactions.

The software used to create spreadsheets can be obtained from numerous different software providers. In most cases, businesses that file refund claims involving 50 or more transactions already use spreadsheet applications to record the transactions as part

of their routine business operations. Many firms also currently transmit returns and payments electronically. The proposed requirement to include a spreadsheet of transactions for refund claims with 50 or more transactions should therefore have little economic effect on most businesses.

The proposed amendment does not discriminate between large or small firms but rather is intended to affect the filing of refund claims for all taxpayers with refund claims that involve 50 or more transactions.

Smart Growth Impact

The Division of Taxation anticipates that the proposed amendment will have no impact on smart growth in New Jersey or on the implementation of the New Jersey State Development and Redevelopment Plan.

Full text of the proposal follows (additions indicated in boldface thus; deletions indicated in brackets [thus])"

18:2-5.8 Refund claim procedures

(a) – (c) (No change.)

(d) For Sales Tax:

1. – 2. (No change.)

3. Refund claims of sales tax shall include copies of all receipts for transactions that are the subject of the refund claim. Refund claims of sales tax that involve 50 or more separate transactions shall also be filed with a computer spreadsheet. A computer spreadsheet is a computer program that arranges numerical and textual data into a table of rows and columns. The computer spreadsheet shall display the transactions that are the subject of the refund claim. The transaction information in the computer spreadsheet shall include the vendor or customer name, the invoice date, the invoice number, the amount of the claimed exemption, and a statement of the grounds for the claimed exemption. The computer spreadsheet shall not be edit-locked. The computer spreadsheet shall be transmitted electronically to the email address noted on the Claim for Refund Form A-3730, or sent to the Division on a computer disk with the claim for refund. For purposes of this rule, the Division will accept computer spreadsheets created with Excel or any other .xls file compatible computer spreadsheet application.

(e) – (g) (No change.)