

NOTICE TO URBAN ENTERPRISE ZONE QUALIFIED BUSINESSES
CHANGES TO SALES TAX PURCHASE EXEMPTION

(P.L. 2008, c. 118)

Effective December 17, 2008

P.L. 2008, c. 118 was signed into law on December 17, 2008 and expands the exception for small businesses under the Urban Enterprise Zone refund program to include businesses with annual gross receipts of \$10 million or less. Previously, qualified UEZ businesses with gross receipts greater than \$3 million were required to pay sales tax at the point of purchase for items and services used exclusively at the UEZ location. Those businesses were then required to submit a request for refund for the amount of tax paid. The new law expands the threshold enabling more qualified UEZ businesses to obtain the exemption at time of purchase.

Please note that these changes apply to sales that take place on or after February 1, 2009. For purchases that take place prior to that date, as under the old rule you must continue to pay sales tax on taxable sales or self-assess use tax, and apply for a refund. The request for refund procedure remains unaffected except for the changed criteria resulting in fewer businesses that will be required to apply for a refund.

Under the new law, businesses with annual gross receipts of \$10 million or less (in the previous tax period) are eligible for the purchase exemption. The Division of Taxation is currently reviewing each UEZ business that was over \$3 million in gross annual receipts to determine if the business now meets the new \$10 million threshold to qualify as a small business for purposes of the exemption. Upon clearance from the Division, newly qualified "small businesses" will be sent an Urban Enterprise Zone Exempt Purchase Certificate (Form UZ-5-SB) with an effective date of February 1, 2009.

UEZ businesses lacking sufficient data to verify annual gross receipts along with newly certified UEZ businesses will be required to submit an Application for Exemption from Sales Tax on Purchases for Goods and Materials for Exclusive Use or Consumption within an Urban Enterprise Zone (Form UZ-5-SB-A). The applications should be submitted to the local UEZ coordinator. The UZ-5-SB-A can be accessed at <http://www.state.nj.us/treasury/taxation/uez.shtml> or requested from local UEZ coordinators. UEZ businesses will also be required to reapply for the purchase exemption at the time of recertification.

As part of the application approval process, the Division of Taxation will verify a business's annual gross receipts based on whatever tax data is available. Upon approval each UEZ business that is eligible for the exemption will be issued a preprinted UZ-5-SB certificate with information that is specific for each qualified UEZ business location.

For questions please contact the appropriate UEZ coordinator for your business location, or contact the Urban Enterprise Zone Authority at (609) 292-1912. A listing of local UEZ coordinators can be found at: <http://www.state.nj.us/dca/affiliates/uez/coordinators/>.