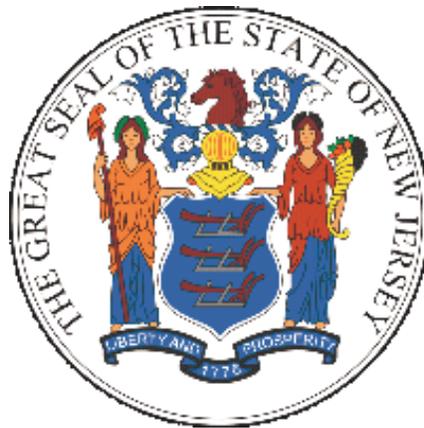


A Report on Tax Expenditures in New Jersey



New Jersey Department of the Treasury
Division of Taxation

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New Jersey Tax Expenditure Report

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Introduction

Pursuant to P.L.2009, c.189, a State tax expenditure report must be included in the Governor's annual budget message. Below is the second annual tax expenditure report.

State tax expenditure refers to provisions of State tax law that establish special tax treatment resulting in different outcomes from those which would be presumed to exist without the State tax expenditure. Examples of these include, but are not limited to, tax law definition, deduction, exclusion, exemption, deferral, credit, preferential tax rate or other special tax provisions.

Certain goods or services, by law, are not subject to tax, or are not taxed under certain circumstances. P.L. 2009, c.189 requires the publication of all state tax expenditures made in the last completed fiscal year, the current fiscal year and the fiscal year to which the budget message applies. For the purposes of this report, those years are FY 2010, FY 2011 and FY 2012.

In addition to the estimates of the value of the tax expenditures, the law requires this report include the following information:

- Citation of the enabling legislation
- Effective date of the tax expenditure
- Objective of the tax expenditure
- Description of the tax expenditure
- Effectiveness in achieving its stated purpose
- Effect of each State tax expenditure on the fairness and equity of the distribution of the tax burden
- Public and private costs of administering the State tax expenditures
- Data source used for the estimate, and
- A measure of the reliability of the estimate

The State tax expenditures are organized by categories in a comprehensive table, and explained in greater detail throughout a following section.

Organization of the Text- For the purposes of this report, the Division of Taxation considers “tax expenditures” only those explicitly provided under state law, whether through enabling statutes or subsequent amendments modifying the original statute. Those statutory provisions mainly allow for three categories of preferential tax treatment: exemptions, deductions and credits.

Exemptions are categories of goods, or certain uses thereof, or services that the law bars from subjectivity to taxation. These expenditures are often not required to be reported. For example, prescription drugs are exempt under the New Jersey sales tax law. Also, Social Security income is exempt for New Jersey income tax purposes.

Exclusions are similar in nature to exemptions, but may apply to only a portion of the category. For example, unlike Social Security income, only a portion of pension income is nontaxable and that portion of pension income not subject to tax is the pension exclusion.

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

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

Credits may result in refunds to taxpayers having no tax liability, as in the case of the New Jersey Earned Income Tax Credit.

The estimates used in this report are from the New Jersey Economic Development Authority, the New Jersey Division of Revenue and various offices within the New Jersey Division of Taxation. Current tax returns do not provide certain detailed data that would *enhance* tax expenditure reporting but is not necessary to be disclosed for tax purposes. Additionally, the Division of Taxation, in an effort to relieve taxpayer burden, limits the information to only those disclosures absolutely required to be included in taxpayer filings.

Some estimates in this document are the result of standard economic forecasting and modeling techniques using publicly available information combined with data collected by the Division of Taxation.

The second annual edition of the tax expenditure report includes several of the tax expenditures noted in the Appendix that were not included last year.

NOTE: The reporting of zeroes (00) in the summary of identified state tax expenditures indicates that no deduction was claimed in that category for FY10, FY11 and FY12.

ACKNOWLEDGEMENTS

This report is a collaborative venture between the Office of Legislative Analysis and Disclosure within the New Jersey Division of Taxation and the Office of Revenue and Economic Analysis within the Office of the State Economist. Special thanks for their valuable assistance is given to the Regulatory Services Bureau, the Audit and Local Property Tax branches (all from the Division of Taxation), as well as the Economic Development Authority and the Division of Revenue.

What is New in this Edition

This second edition of the New Jersey Tax Expenditure Report reflects a number of enhancements and improvements over the first edition. This section highlights some of the changes you will see in this report.

The purpose of the Tax Expenditure Report is to present the estimated costs associated with the various tax expenditures required under State law. Each report must contain estimates for the last, current and next fiscal year. Thus, each report will include estimates for two years that were reported in the preceding edition. In some cases the estimates shown in the current report will differ from the corresponding estimates in the prior report. This may be due to our having identified more reliable data sources, finding superior methods for calculating the cost of those tax expenditures, or the revision of data provided by third-parties.

This edition provides greater information about the basis and reliability of estimates. In many instances, it identifies the primary source of data used and ranks the reliability of that data source from 1 to 5 where 1 would be the best source of data as follows:

1 – The tax liability of the entire population of verified tax returns is recalculated with the tax expenditure removed and from this is subtracted the actual tax liability.

2 – A similar process to 1 is performed, but on a statistical sample of returns rather than the entire population of returns.

3 – A similar process to 2, but the sample returns contain incomplete or unverified data.

4 – Aggregate data from an external source is applied to average or marginal tax rates.

5 – The Federal estimate of comparable tax expenditure is scaled to a New Jersey level.

6 – Another state's estimate of its comparable tax expenditure is scaled to a New Jersey level.

The report now contains chapters for fifteen taxes. Each chapter begins with an overview of the specific tax, followed by summaries of each tax expenditure under that tax. Each summary begins with the statutory authority for the expenditure, the effective date and a description. Where available, information is provided as to the data source used to determine the estimated costs associated with the expenditure and the reliability thereof. In some instances, the objective(s) and/or effectiveness of the expenditure has been included.

The reader should note that the effective date of a provision does not necessarily indicate the date on which it is first applied. For example, under the Gross Income Tax, there may be a tax expenditure whose law became effective in July 1999, but which applies to tax years beginning on January 1 of either 1999, 2000, or some later year. Future reports will contain both the effective date and the date on which the expenditure first became applicable.

The objectives of tax expenditures may fall into one of several categories. For example, there are tax

expenditures which are required by Federal law or by the Federal or State Constitution. For others, a clear purpose was expressed in either the legislative intent of the law or in the sponsors' introduction memorandum. We have begun to list objectives and that process will be expanded in future editions.

There are often many ways of measuring or evaluating the effectiveness of a tax provision. Where available, we have provided sources of credible published work that might help the reader evaluate the effectiveness of specific tax expenditures. We have also included statistics that the reader may find useful in this regard.

The following tax expenditures that had not been listed, or were listed without estimates, are now available in this report:

- **Corporation Business Tax:**
 - Urban Transit Hub Tax Credit
 - Remediation Tax Credit

- **Gross Income Tax:**
 - Unemployment Insurance Exclusion
 - Social Security Income Exclusion
 - Insurance Premiums

- **Sales and Use Tax:**
 - Urban Enterprise Zone Exempt Business Purchases
 - Exempt Organizations: United States of America
 - Residential Parking
 - Participatory Sporting Activities
 - Bakery Items
 - Eggs, Fish, Meat and Poultry
 - Resale of Taxable Services
 - Credit for Certain Property when used as a Trade-in
 - Advertising Published in a Newspaper

Motor Fuels Act:

Under the new Motor Fuels Act, taxes are assessed and paid at the distributor level only. Exempt fuels did not change, but those acquiring such fuels will now be required to file for refunds. Exemptions include:

- Fuels used by Aircraft
- Fuel used by Ambulances
- Fuel used by Certain Agricultural Tractors
- Fuel used by Certain Auto Buses
- Fuel used by Certain Stationary Machinery and Vehicles
- Fuel used by Farm Machinery
- Fuel used by Certain Highway Motor Vehicles

- Sales to New Jersey and its political subdivisions for their official use
- Sales to the U.S. Government

**Summary of Identifiable State Tax Expenditures
(\$millions)**

	<i>Fiscal Year</i>		
	2010	2011	2012
Gross Income Tax			
<i>Credit</i>			
9 Credit for Taxes Paid to Other Jurisdiction(s)	2,354.3	2,389.5	2,538.6
26 Gross Income under \$20,000	93.9	105.0	101.8
36 New Jersey Earned Income Tax Credit Payments	280.4	284.1	295.0
41 Property Tax Credit	32.9	26.0	24.7
48 Sheltered Workshop Tax Credit	26.8	27.3	27.7
<i>Deduction/Exemption</i>			
1 Alimony and Separate Maintenance Payments	11.7	11.7	11.6
13 Deductions from Business Income	376.7	342.0	365.4
14 Deductions from Rents, Royalties, Patents and Copyrights	157.8	160.2	175.6
15 Dependents Attending College	5.7	5.6	6.1
27 Health Enterprise Zone Deduction	0.2	0.2	0.2
33 Medical Expenses	176.5	180.9	195.8
40 Personal Exemptions and Deductions	471.4	479.3	504.2
42 Property Tax Deduction	327.9	334.4	354.8
43 Qualified Conservation Contribution	0.1	0.1	0.1
47 Self-Employed Health Insurance Costs	52.2	53.6	58.8
<i>Exclusion</i>			
21 Exempt Interest (Federal) Exclusion	56.6	45.2	48.5
22 Exempt Interest (State) Exclusion	22.7	17.8	18.7
37 Other Retirement Income Exclusion	1.1	1.5	1.9
38 Pension Exclusion	67.5	65.6	67.0
49 Social Security Income Exclusion	54.3	57.4	63.5
51 Unemployment Insurance Exclusion	13.0	13.3	14.0

**Summary of Identifiable State Tax Expenditures
(\$millions)**

		<i>Fiscal Year</i>		
		2010	2011	2012
Sales and Use Tax				
<i>Exclusion</i>				
5	Bakery Items	45.6	44.1	42.7
22	Certain Massage Therapy Services	2.6	2.7	2.9
37	Credit for Certain Property when used as a Trade-in	633.8	815.2	815.2
44	Eggs, Fish, Meat and Poultry	185.5	190.1	194.7
77	Internet Access Service	64.7	63.1	61.5
97	Participatory Sporting Activities	14.3	14.4	14.5
113	Resale of Taxable Services	2,749.9	2,974.1	3,216.6
<i>Exemption</i>				
3	Advertising Published in a Newspaper	121.3	119.3	117.3
30	Clothing and Footwear	873.6	902.5	932.5
41	Disposable Household Paper Products	75.2	77.9	80.7
53	Exempt Organizations: United States of America	183.3	195.5	208.5
61	Food and Food Ingredients	1,421.7	1,510.1	1,603.9
94	Over-the-Counter Drugs	52.0	55.2	58.7
99	Prescribed Drugs and Medications	633.9	643.2	652.6
120	School Textbooks	11.4	12.0	12.6
134	Urban Enterprise Zone Exempt Business Purchases	132.6	132.6	132.6
Corporation Business Tax				
<i>Credit</i>				
6	AMA Tax Credit	N/A	46.2	46.2
7	Business Retention and Relocation Tax Credit	N/A	2.7	2.7
12	Economic Recovery Tax Credit	0.0	0.0	0.0
13	Effluent Equipment Tax Credit	0.2	0.2	0.2
15	Film Production Tax Credit	N/A	4.7	4.7
16	HMO Assistance Fund Tax Credit	N/A	1.6	1.6

**Summary of Identifiable State Tax Expenditures
(\$millions)**

	<i>Fiscal Year</i>		
	2010	2011	2012
18 Manufacturing Equipment and Employment Investment Tax Credit	16.7	16.7	16.7
19 Neighborhood Revitalization State Tax Credit	4.8	4.8	4.8
21 New Jobs Investment Tax Credit	1.9	1.9	1.9
25 Redevelopment Authority Project Tax Credit	0.0	0.0	0.0
26 Remediation Tax Credit	0.1	0.1	0.1
27 Research and Development Tax Credit	65.6	65.6	65.6
28 Sheltered Workshop Tax Credit	0.0	0.0	0.0
32 Urban Enterprise Zone Employee Tax Credit	0.0	0.0	0.0
33 Urban Enterprise Zone Investment Tax Credit	0.0	0.0	0.0
35 Urban Transit Hub Tax Credit	0.0	0.0	3.0
<i>Deduction</i>			
4 All Income of New Jersey S Corporations	150.0	150.0	150.0
5 Allocation/Apportionment	60.0	60.0	60.0
14 Exceptions to Related Intangible Costs Expense Add Back	127.8	127.8	127.8
17 Lack of Throw Back	125.0	125.0	125.0
20 Net Operating Loss Deduction	516.3	516.3	516.3
<i>Exclusion</i>			
1 60% of Investment Company Income	13.1	13.1	13.1
2 96% of Real Estate Investment Trust/Regulated Investment	5.5	5.5	5.5
10 Dividend Exclusion (ALL)	4,076.3	2,439.4	2,439.4
11 Dividend Exclusion (less than 50% owned)	159.3	159.3	159.3

9-1-1 System and Emergency Response Assessment

Exemption

1 Exempt Telephone Lines	1.0	1.0	1.0
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**Summary of Identifiable State Tax Expenditures
(\$millions)**

	2010	<i>Fiscal Year</i> 2011	2012
Alcoholic Beverage Tax			
<i>Exemption</i>			
1 Out-of-State Sales - Beer and Malt	15.2	17.8	17.8
2 Out-of-State Sales - Liquor	58.8	57.7	57.7
3 Out-of-State Sales - Still Wine	18.9	21.4	21.4
4 Out-of State Sales - Vermouth/Sparkling Wine/Apple Cider	0.7	0.9	0.9
Cigarette Tax			
<i>Credit</i>			
1 Director's redemption of certain stamps	1.2	1.4	1.4
2 Distributor discounts	1.4	1.4	1.4
Domestic Security Fee			
<i>Credit</i>			
1 Total Deductions	0.8	0.8	1.0
Hotel/Motel Occupancy Fee			
<i>Credit</i>			
1 Government Exemption	49.3	51.7	52.9
<i>Deduction/Exemption</i>			
2 Permanent Resident Exemption	77.8	79.2	80.3
<i>Exclusion</i>			
3 Rooms for Assembly	10.9	12.2	12.5
Local Property Tax support by State Government			
<i>Deduction</i>			
1 Senior Citizen Real Estate Tax Deduction	18.6	18.0	17.5
2 Veteran's Deduction	69.3	67.3	65.4

**Summary of Identifiable State Tax Expenditures
(\$millions)**

	2010	<i>Fiscal Year</i> 2011	2012
Motor Fuels Tax			
<i>Exemption</i>			
4 Fuel used by Aircraft	0.1	0.1	0.1
5 Fuel used by Ambulances	0.0	0.0	0.0
6 Fuel used by Certain Agricultural Tractors	0.0	0.0	0.1
7 Fuel used by Certain Auto Buses	0.0	0.0	0.0
8 Fuel used by Certain Highway Motor vehicles	0.0	0.0	0.0
9 Fuel used by Certain Stationary Machinery and Vehicles	0.1	0.1	0.5
18 Total exempt government sales - Distributors	0.1	0.1	
19 Total exempt government sales - Importers	9.0	9.0	N/A
20 Total exempt government sales - Jobbers	231.0	231.0	
Motor Vehicle Tire Fee			
<i>Exemption</i>			
1 Exempt Tires Sales times \$1.50 tire fee	4.6	6.0	6.0
Nursing Home Assessment			
<i>Exemption</i>			
1 Exempt days times rate	32.7	32.9	32.8
Petroleum Products Gross Receipts Tax			
<i>Exemption</i>			
2 Withdrawn for use outside New Jersey	0.9	0.6	0.6
Realty Transfer Fee			
<i>Deduction/Exemption</i>			
1 Exempt Sales Exceeding \$1 million where the grantee pays	11.3	11.3	11.3
<i>Exemption</i>			
2 Partial Realty Transfer Fee Exemption (sales prices known)	15.6	15.6	15.6

**Summary of Identifiable State Tax Expenditures
(\$millions)**

	<i>Fiscal Year</i>		
	2010	2011	2012
3 Total Realty Transfer Fee exemption for sales price less than \$100 (sales price known)	266.6	266.6	200.0
4 Total Realty Transfer Fee exemption where such sales price would have exceeded \$100 (sales price known)	16.1	16.1	16.1

Transfer Inheritance and Estate Taxes

Exemption

1 Increasing Class A beneficiary to highest rate – filed returns	560.0	560.0	600.0
2 Increasing Class C beneficiary taxes to highest rate	40.0	40.0	44.0

Gross Income Tax Overview

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, 2004, range from 1.4% – 8.97%. For tax year 2009, the maximum tax rates were 10.25% for those whose incomes ranged from \$500,000 to \$1,000,000, and 10.75% for income in excess of \$1,000,000. These rates expired after that year due to Governor Christie's veto of an extension proposed by the Legislature.

Filing Threshold

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. The income levels were raised for the 1999 tax year as part of a three-year phase-in of higher filing thresholds, and filers with incomes of \$10,000 or less for the entire year (\$5,000 or less for married persons filing separately) pay no tax.

For tax year 2000, the filing threshold was \$10,000 or less for the entire year (single filers and estates and trusts), \$15,000 or less for the entire year (married couples filing jointly, heads of household, and surviving spouses), and \$7,500 or less for the entire year (married persons filing separately). For tax year 2001 and thereafter, the filing threshold is \$10,000 or less for the entire year (single filers, married persons filing separately, and estates and trusts), and \$20,000 or less for the entire year (married couples filing jointly, heads of household, and surviving spouses).

Effective for tax years beginning on or after January 1, 2007, any reference to a spouse also refers to a partner to a civil union recognized under New Jersey law.

Exemptions

- Taxpayer, \$1,000
- Taxpayer's spouse/civil union partner or domestic partner who does not file separately, \$1,000
- Taxpayer 65 years old or more, additional \$1,000; same for spouse/civil union partner age 65 or older who does not file separately
- Blind or totally disabled taxpayer, additional \$1,000; same for blind or totally disabled spouse/civil union partner who does not file separately
- Taxpayer's dependent, \$1,500
- Taxpayer's dependent under age 22 and attending college full time, additional \$1,000

Deductions

- Payments of alimony or for separate maintenance are deductible by the payer if reported as income by the payee
- Unreimbursed medical expenses in excess of 2% of gross income; qualified medical savings account contributions; and for the “self-employed,” qualified health insurance costs
- Property tax deduction (or credit)
- Qualified conservation contribution
- Deduction for eligible taxpayers who provide primary care medical and/or dental services at a qualified practice located in or within five miles of a Health Enterprise Zone

Credits

- Payments of income or wage tax imposed by another state (or political subdivision) or by the District of Columbia, with respect to income subject to tax under this Act. This shall not exceed the proportion of tax otherwise due that the amount of the taxpayer’s income subject to tax by the other jurisdiction bears to the taxpayer’s entire New Jersey income
- Amounts withheld by an employer and payments of estimated tax, including any payments made in connection with the sale or transfer of real property by a nonresident, estate, or trust
- Amounts paid by an S corporation on behalf of a shareholder
- Amounts paid by a partnership on behalf of a partner
- New Jersey Earned Income Tax Credit
- Excess unemployment and disability insurance contributions withheld
- Property tax credit (or deduction)
- Sheltered Workshop Tax Credit

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 \$10,000 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 payday(s) on which taxes were withheld.

Effective for wages paid on and after January 1, 2000, certain employers of household workers may report and remit Gross Income Tax withheld on an annual basis.

Disposition of Revenues

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

1 Alimony and Separate Maintenance Payments

Citation: N.J.S.A. 54A:3-2 (P.L. 1976, c. 47)

Effective Date: 7/8/1976

2012 Estimate: \$11,600,000

Objective: This was a part of the original Gross Income Tax Act.

Description: A deduction is available for amounts paid as alimony to a former spouse, or of a spouse receiving separate maintenance pursuant to a court decree. Such amounts must be reported as income to the recipient of alimony or separate maintenance payments.

Data Source January 2011 Gross Income Tax Calculator

Reliability: 2 Based on a sample of verified tax returns

Effectiveness: 24,000 returns took this deduction.

2 Cafeteria Plan, Qualified Option

Citation: N.J.S.A. 54A:6-24 (P.L. 1995, c.111)

Effective Date: 6/1/1995

Description: The law does not include in gross income the value of an employee's qualified option under a cafeteria plan if the employee does not elect to receive cash, and the value of the option is excludable from federal taxable income.

3 Capital Gain Exclusion on Sale of Principal Residence

Citation: N.J.S.A. 54A:6-9.1 (P.L. 1998, c. 3)

Effective Date: 3/20/1998

Description: Gross income does not include up to \$500,000 in gain from the sale of a personal residence, subject to certain timing restrictions similar to restrictions found in the parallel federal income tax exclusion.

4 Cash or Assistance from a Charitable Organization

Citation: N.J.S.A. 54A:6-5, N.J.S.A. 54A:6-22

Effective Date: 7/8/1976

Description: The law excludes from gross income payments and benefits directly received by a taxpayer under homeless persons' assistance programs, including but not limited to assistance in obtaining housing, temporary shelter and short-term financial assistance.

5 Certain Exclusions from Military Pay

Citation: N.J.S.A. 54A:6-7 (P.L. 1976, c. 47)

Effective Date: 7/8/1976

Description: The law exempts compensation paid by the United States for service in the Armed Forces of the United States performed by an individual not domiciled in this State, amounts received during the taxable year as mustering-out payments with respect to service in the Armed Forces of the United States and amounts received during the taxable year as housing and subsistence allowances by members of the active and reserve components of the Armed Forces of the United States, and by New Jersey National Guard members while on State active duty.

6 Charitable Trust or Pension/Profit Sharing Plan Trust

Citation: N.J.S.A. 54A:2-1 (P.L. 1976, c.47)

Effective Date: 7/8/1976

Description: The income of a charitable trust or a pension/profit-sharing plan trust is exempt from gross income tax.

7 Child Support

Citation: N.J.S.A. 54A:5-1(n) (P.L. 1976, c. 47)

Effective Date: 7/8/1976

Description: Child support payments received are not included in Gross Income

8 Commuter Transportation Benefits

Citation: N.J.S.A.54A:6-23 (P.L. 1993, c.108; amended 1996, c.121; 2001, c.162)

Effective Date: 7/17/2001

Description: Gross income does not include employer-provided commuter transportation benefits up to and including the limit per taxable year per employee paid in addition to regular salary.

9 Credit for Taxes Paid to Other Jurisdiction(s)

Citation: N.J.S.A. 54A:4-1 (P. L.1976, c. 47; amended P.L. 1993, c.173)

Effective Date: 7/7/1993

2012 Estimate: \$2,538,600,000

Description: A New Jersey resident is allowed a credit for tax paid to certain other jurisdictions when the income is subject to tax by both New Jersey and the outside jurisdiction.

Reliability: 2 Based on a sample of verified tax returns

Effectiveness: 416,000 returns used this credit.

10 Damages for Personal Injury or Illness

Citation: N.J.S.A. 54A:6-6 (P.L. 1976, c. 47)

Effective Date: 7/8/1976

Description: Gross income does not include amounts received, through lawsuit or agreement, due to personal injury or sickness.

12 Deductions for Medical Savings Account Contributions

Citation: N.J.S.A. 54A:3-4 (P.L. 1997, c.414)

Effective Date: 1/19/1998

Description: A deduction is allowed for contributions to Archer MSAs.

13 Deductions from Business Income

Citation: N.J.S.A. 54A:5-1(b) (P. L.1976, c.47; amended 1977, c.40, 1977, c.273, 1981, c.423, 1983, c.5

Effective Date: 7/24/1998

2012 Estimate: \$365,400,000

Description: In calculating net income from the operation of a business, profession or other activity, taxpayers are permitted to deduct all costs and expenses incurred in the conduct of such business.

Data Source January 2011 Gross Income Tax Calculator and IMF/IRTF file (IRS)

Reliability: 2 Based on a sample of verified tax returns

Effectiveness: 409,000 returns deducted expenses from business income.

14 Deductions from Rents, Royalties, Patents and Copyrights

Citation: N.J.S.A. 54A:5-1(d) (P.L. 1976, c.47; amended P.L. 1977, c.40, P.L. 1977, c.273, P.L. 1981, c.4

Effective Date: 7/24/1998

2012 Estimate: \$175,600,000

Description: In calculating net income, taxpayers are permitted to deduct all costs and expenses.

Reliability: 2 Based on a sample of verified tax returns

Effectiveness: 202,000 returns had deductions from rent, royalty, patents and copyrights.

15 Dependents Attending College

Citation: N.J.S.A.54A:3-1.1 (P.L. 1976, c. 84)

Effective Date: 9/2/1976

2012 Estimate: \$6,100,000

Objective: This provision became law the same year as the Gross Income Tax Act and represented an attempt by the same legislative leaders who enacted the income tax to provide additional relief for taxpayers whose dependents were and are attending college.

Description: A deduction which reduces taxable income by \$1,000 for each dependent claimed on the NJ tax return who is under age 22 for the entire tax year and is attending college full-time.

Data Source January 2011 Gross Income Tax Calculator

Reliability: 2 Based on a sample of verified tax returns

Effectiveness: 197,000 returns took the exemption.

16 Education IRA or State Tuition Plan Earnings

Citation: N.J.S.A. 54A:6-25 (P.L. 1997, c. 237; amended P.L. 1999, c.46, c.116, P.L. 2001, c.262)

Effective Date: 12/11/2001

Description: Gross income does not include certain earnings (and certain distributions) on education IRA's or a qualified State tuition program account. Qualified earnings are allowed tax-deferral treatment and qualified distributions are excludable from gross income.

17 Employee 401(k) Contributions

Citation: N.J.S.A. 54A:6-21 (P.L. 1983, c. 571)

Effective Date: 1/1/1984

Description: Gross income does not include amounts contributed by an employee to a 401k retirement plan.

18 Employee's Death Benefits

Citation: N.J.S.A. 54A:6-4 (P.L. 1976, c. 47)

Effective Date: 7/8/1976

Description: Gross income does not include benefit amounts paid by or on behalf of an employer due to the death of the employee.

19 Employer 401(k) Contributions

Citation: N.J.S.A. 54A:6-21 (P.L. 1983, c. 571)

Effective Date: 1/1/1984

Description: Gross income does not include amounts contributed by an employer on behalf of and at the election of an employee to a 401k retirement plan.

20 Employer Contributions to Retirement Plans

Citation:

Effective Date:

Description: Employer contributions to employee retirement plans are not included in gross income for Gross income tax purposes.

21 Exempt Interest (Federal) Exclusion

Citation: N.J.S.A. 54A:6-14 (P.L. 1976, c. 47)

Effective Date: 7/8/1976

2012 Estimate: \$48,500,000

Objective: Non-discretionary. Required under federal law.

Description: Gross income does not include interest on (or capital gain from) obligations of a U.S. agency, including such received through an investment fund.

Data Source January 2010 Gross Income Tax Calculator and BEA

Reliability: 2 Based on a sample of verified tax returns

Effectiveness: 251,000 returns with Federal or state/local nontaxable interest

22 Exempt Interest (State) Exclusion

Citation: N.J.S.A. 54A:6-14), P. L. 1976, c. 47

Effective Date: 7/8/1976

2012 Estimate: \$18,700,000

Objective: The exemption of interest on New Jersey obligations was a part of the original Gross Income Tax Act. Apparently the Legislature intended to encourage investment in New Jersey securities.

Description: Gross income does not include interest on obligations of a New Jersey State agency, Authority or a New Jersey political subdivision.

Data Source January 2011 Gross Income Tax Calculator and BEA

Reliability: 2 Based on a sample of verified tax returns

Effectiveness: 251,000 returns with Federal or state/local nontaxable interest

23 Family Leave Benefits

Citation: N.J.S.A. 54A:6-31 (P.L. 2008, c.17)

Effective Date: 5/2/2008

Description: Gross income does not include benefits for family temporary disability leave.

24 Gambling Losses

Citation: N.J.S.A. 54A:5-1(g) (P.L. 1976, c.47; amended 1977, c.40, 1977, c.273, 1981, c.423, 1983, c.5

Effective Date: 7/24/1998

Description: Taxpayers may deduct all types of gambling losses, including those from playing the New Jersey Lottery, from their total gambling winnings during the tax period not to exceed the total of the winnings because gambling is a “net” category of income.

25 Gifts and Inheritances

Citation: N.J.S.A. 54A:6-5 (P.L. 1976, c. 47)

Effective Date: 7/8/1976

Description: Gross income does not include the value of property acquired by gift, bequest, devise or inheritance.

26 Gross Income under \$20,000

Citation: N.J.S.A. 54A:8-3.1

Effective Date: 9/11/1980

2012 Estimate: \$101,800,000

Objective: Basic component of the tax structure.

Description: New Jersey filers with gross includable income totaling less than \$20,000, or \$10,000, depending on filing status, are not subject to income taxation.

Reliability: 2 Based on a sample of verified tax returns

Effectiveness: 1,015,740 returns fell below the filing threshold.

27 Health Enterprise Zone Deduction

Citation: N.J.S.A. 54A:3-8 (P.L. 2004, c.139)

Effective Date: 3/1/2005

2012 Estimate: \$200,000

Description: A taxpayer, engaged in providing primary care in a practice located within a Health Enterprise Zone or in a qualified practice located within 5 miles of a Health Enterprise Zone, is allowed a deduction.

Data Source January 2010 Gross Income Tax Calculator

Reliability: 2 Based on a sample of verified tax returns

Effectiveness: 73 returns took this deduction.

28 Holocaust Reparations and Restitution

Citation: N.J.S.A. 54A:6-29 (P.L. 1998, c.113)

Effective Date: 10/20/1998

Description: Gross income does not include amounts received in connection with restoration or compensation efforts for victims of National Socialist (Nazi) persecution.

29 Homeless Persons' Assistance Programs

Citation: N.J.S.A. 54A:6-22 (P.L. 1988, c.29; amended P.L. 2008, c.127)

Effective Date: 1/9/2009

Description: Gross income does not include direct payments, assistance and benefits under homeless persons' assistance programs.

30 Life Insurance Payments

Citation: N.J.S.A. 54A:6-4 (P.L. 1976, c. 47)

Effective Date: 7/8/1976

Description: Gross income does not include the proceeds of life insurance contracts payable by reason of death.

31 Loan Redemption

Citation: N.J.S.A. 54A:6-25.1 (P.L. 2005, c.157)

Effective Date: 1/10/2006

Description: Gross income does not include amounts received as a loan redemption under the Social Services Student Loan Redemption Program.

32 Lottery Winnings under \$10,000

Citation: N.J.S.A. 54A:6-11 (P.L. 1976, c. 47; amended P.L. 2009, c.69)

Effective Date: 6/29/2009

Description: Gross income does not include individual winnings or prize amounts under \$10,000 from the New Jersey Lottery.

33 Medical Expenses

Citation: N.J.S.A. 54A:3-3 (P.L. 1976, c.47; amended P.L. 1997, c.414, P.L. 1999, c.222).

Effective Date: 9/22/1999

2012 Estimate: \$195,800,000

Description: A taxpayer is allowed to deduct from gross income unreimbursed medical expenses for the taxpayer, spouse and dependents to the extent that such medical expenses exceed 2% of the taxpayer's gross income.

Data Source January 2011 Gross Income Tax Calculator

Reliability: 2 Based on a sample of verified tax returns

Effectiveness: 1,198,530 took the deduction.

34 Medical Savings Account Contributions

Citation: N.J.S.A. 54A:6-27 (P.L. 1997, c.414)

Effective Date: 7/19/1998

Description: Gross income does not include contributions to a taxpayer's section IRC 220 Archer Medical Savings Account in the amount allowed for federal income tax purposes.

35 **Military Pension and Survivor's Benefit Payments**

Citation: N.J.S.A. 54A:6-26 (P.L. 1997, c.409; amended 2001, c.84)

Effective Date: 5/7/2001

Description: Gross income does not include military pension payments or military survivor's benefit payments paid to individuals by the United States with respect to service in the Armed Forces of the United States.

36 **New Jersey Earned Income Tax Credit Payments**

Citation: N.J.S.A. 54A:4-7

Effective Date: 6/30/2010

2012 Estimate: \$295,000,000

Description: The law provides a refundable tax credit program for low to moderate individuals and families with earned income.

Reliability: 2 Based on a sample of verified tax returns

Effectiveness: 512,000 returns took advantage of this credit.

For more information on the effectiveness of state eaned income tax credits see "A *State Earned Income Tax Credit*," Connecticut Office of Legislative Research, February 2008. <http://www.cga.ct.gov/2008/rpt/pdf/2008-R-0102.pdf>

37 **Other Retirement Income Exclusion**

Citation: N.J.S.A. 54A:6-15 (P.L. 1977, c. 273)

Effective Date: 7/8/1976

2012 Estimate: \$1,900,000

Objective: The statute provides parity and relief to seniors who, due to receipt of minimal pensions, or inability to receive Social Security or Railroad Retirement benefits, received less in retirement income than other, similarly situated senior taxpayers.

Description: Gross income does not include up to \$20,000 to the extent that a Pension Exclusion is not fully used. An additional exclusion of up to \$6,000 is also available for certain filers. Age and income eligibilities must be met in order to take this exclusion.

Data Source January 2011 Gross Income Tax Calculator

Reliability: 2 Based on a sample of verified tax returns

Effectiveness: 194,000 returns declared the exclusion.

38 Pension Exclusion

Citation: N.J.S.A. 54A:6-10 (P.L.1976, c. 47; amended P.L. 1977, c.40, c.273, P.L. 1979, c.79, P.L. 1990,

Effective Date: 7/8/1976

2012 Estimate: \$67,000,000

Objective: The Pension Exclusion was included in the original Gross Income Tax Act and any and all modifications were intended to provide limited tax relief to New Jersey senior and disabled taxpayers.

Description: Gross income does not include up to \$20,000 of income in the pension, annuity or IRA category, if the taxpayer's total income is \$100,000 or less and the taxpayer is 62 or over or disabled.

Data Source January 2011 Gross Income Tax Calculator

Reliability: 2 Based on a sample of verified tax returns

Effectiveness: 438,000 returns took the pension exclusion.

39 Permanent Disability Exclusion

Citation: N.J.S.A. 54A:6-10 (P.L. 1976, c. 47)

Effective Date: 7/8/1976

Description: Gross income does not include amounts received as permanent disability payments through a public or private plan.

40 Personal Exemptions and Deductions

Citation: N.J.S.A. 54A:3-1 (P.L. 1976, c.47; amended P.L. 1990, c.61, P.L. 1993, c.178, P.L. 1993, c.320,

Effective Date: 7/8/1976

2012 Estimate: \$504,200,000

Objective: Basic component of the tax structure.

Description: Each taxpayer is allowed personal exemption of \$1,000 for self, and an extra \$1,000 for a spouse/domestic partner, for any taxpayer 65 years of age or over, for any taxpayer's spouse 65 years of age or over, blind or disabled, and for any taxpayer's spouse blind or disabled. \$1,500 is deductible for each dependent.

Data Source January 2011 Gross Income Tax Calculator

Reliability: 2 Based on a sample of verified tax returns

Effectiveness: 3,788,054 had positive exemptions or deductions.

41 Property Tax Credit

Citation: N.J.S.A. 54A:3A-20 (P. L.1996, c.60)

Effective Date: 1/1/1996

2012 Estimate: \$24,700,000

Description: A tax credit in the amount of \$50 for homeowners or renters who do not take a property tax deduction. This credit is also available to certain senior or disabled residents who do not have an income tax obligation.

Reliability: 2 Based on a sample of verified tax returns

Effectiveness: 736,000 returns used this credit.

42 Property Tax Deduction

Citation: N.J.S.A. 54A:3A-16 (P.L. 1996, c.60)

Effective Date: 1/1/1996

2012 Estimate: \$354,800,000

Description: Taxpayers are entitled to a deduction up to \$10,000 from gross income for property taxes due and paid for that calendar year on the taxpayer's homestead.

Reliability: 2 Based on a sample of verified tax returns

Effectiveness: 1,445,609 took this deduction.

43 Qualified Conservation Contribution

Citation: N.J.S.A. 54A:3-6 (P.L. 1999, c.372)

Effective Date: 1/14/2000

2012 Estimate: \$100,000

Description: A taxpayer is allowed a deduction against gross income for a qualified conservation contribution if so qualified under the federal IRC section 170(h).

Data Source January 2009 Gross Income Tax Calculator

Reliability: 2 Based on a sample of verified tax returns

Effectiveness: 1,273 returns took this deduction.

44 Railroad Retirement Exclusion

Citation: N.J.S.A. 54A:6-3 (P.L. 1976, c. 47)

Effective Date: 7/8/1976

Description: Gross income does not include payments received under the Railroad Retirement Act.

45 Roth IRA Distributions

Citation: N.J.S.A. 54A:6-28 (P.L. 1998, c.57)

Effective Date: 12/31/1997

Description: Gross income does not include distributions from a Roth IRA that are qualified distributions or that are rolled over to a Roth IRA.

46 Scholarships and Fellowship Grants

Citation: N.J.S.A. 54A:6-8 (P. L. 1976, c. 47)

Effective Date: 7/8/1976

Description: Gross income does not include amounts received as a scholarship (educational) or fellowship grant or for amount received (and expended) for related travel, research and equipment.

47 Self-Employed Health Insurance Costs

Citation: N.J.S.A. 54A:3-5 (P.L. 1999, c.222)

Effective Date: 9/22/1999

2012 Estimate: \$58,800,000

Description: Self-employed taxpayers are allowed to deduct, from their gross income, an amount equal to the amount paid, during the taxable year, for insurance for medical expenses for themselves, their spouses and dependents.

Data Source January 2011 Gross Income Tax Calculator and IMF/IRTF File (2008, IRS)

Reliability: 2 Based on a sample of verified tax returns

Effectiveness: 71,000 took the deduction

48 Sheltered Workshop Tax Credit

Citation: N.J.S.A. 54A:4-11 (P.L. 2004, c.318)

Effective Date: 3/1/2005

2012 Estimate: \$27,700,000

Description: A credit available to certain taxpayers that employ qualified handicapped person(s) in a “sheltered workshop” arrangement.

Reliability: 2 Based on a sample of verified tax returns

Effectiveness: 173 returns used this credit.

49 Social Security Income Exclusion

Citation: N.J.S.A. 54A:6-2 (P.L. 1976, c. 47)

Effective Date: 7/8/1976

2012 Estimate: \$63,500,000

Description: Social Security benefits received are not taxable under the Gross Income Tax to any extent.

Data Source January 2011 Gross Income Tax Calculator

Reliability: 2 Based on a sample of verified tax returns

50 Temporary Disability Exclusion

Citation: N.J.S.A. 54A:6-6 (P.L. 1976, c. 47)

Effective Date: 7/8/1976

Description: Gross income does not include amounts received as temporary disability payments through the New Jersey State temporary disability insurance law.

51 Unemployment Insurance Exclusion

Citation: N.J.S.A. 54A:6-13 (P.L. 1976, c. 47)

Effective Date: 7/8/1976

2012 Estimate: \$14,000,000

Description: Gross income does not include benefits received under any unemployment insurance law.

Data Source January 2011 Gross Income Tax Calculator

Reliability: 2 Based on a sample of verified tax returns

52 Victims of September 11, 2001 Terrorist Attacks

Citation: (N.J.S.A. 54A:6-30) P.L. 2003, c.9

Effective Date: 1/27/2003

Description: Gross income does not include the income of any individual who dies as a result of wounds or injury incurred as a result of the terrorist attacks against the United States on September 11, 2001.

53 Welfare Assistance Payments

Citation: N.J.S.A. 54A:6-13

Effective Date: 7/8/1976

Description: Monies received as welfare assistance is not included in gross income.

54 Worker's Compensation Exclusion

Citation: N.J.S.A. 54A:6-6 (P.L. 1976, c. 47)

Effective Date: 7/8/1976

Description: Gross income does not include amounts received through workmen's compensation acts.

Sales and Use Tax (N.J.S.A.54:32B-1 et seq.)

Overview

Description

Sales and Use Tax applies to receipts from retail sale, rental, or use of tangible personal property or digital property; retail sale of producing, fabricating, processing, installing, maintaining, repairing, and servicing tangible personal property or digital property; maintaining, servicing, or repairing real property; certain direct-mail services; tattooing, tanning, and massage services; investigation and security services; information services; limousine services; sales of restaurant meals and prepared food; rental of hotel and motel rooms; certain admission charges; certain membership fees; parking charges; storage services; sales of magazines and periodicals; delivery charges; and telecommunications services, except as otherwise provided in the Sales and Use Tax Act.

A compensating use tax is also imposed when taxable goods and services are purchased and New Jersey sales tax is either not collected or is collected at a rate less than New Jersey's sales tax rate. The use tax is due when such goods, or the goods on which taxable services are performed, come into New Jersey. If sales tax was paid to another state, the Use Tax is only due if the tax was paid at a rate that is less than New Jersey's rate.

All persons required to collect the tax must file a Business Registration Application (Form NJ-REG). 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; magazines and periodicals sold by subscription and membership periodicals; casual sales except motor vehicles and registered boats; clothing; farm supplies and equipment; flags of New Jersey and the United States; unprepared food and food ingredients purchased for human consumption; food sold in school cafeterias; prescription and certain nonprescription drugs and other medical aids; motor fuels; textbooks; professional and personal services unless otherwise taxable under the Act; real estate sales; tangible personal property used in research and development; production machinery and equipment.

The Sales and Use Tax Act was amended, effective October 1, 2005, to conform New Jersey's law to the requirements of the Streamlined Sales and Use Tax Agreement.

SSUTA, which is a multi-state effort to simplify and modernize the collection and administration of sales and use taxes. The adoption of the SSUTA resulted in significant changes in New Jersey's tax policy and administration, including uniform product definitions and changes in the taxability of specific items. In addition, the SSUTA provided for the creation of a new central registration system, certain amnesty provisions, and minor changes in the treatment of exemption certificates.

Rate

The rate of tax is 7% on taxable sales occurring on or after July 15, 2006. Formerly, the tax rate was 6%.

Disposition of Revenues

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

1 Admission to Athletic Games: Elementary or Secondary Schools

Citation: N.J.S.A. 54:32B-9(f)(2)(A) (P.L.1997, c.162, s.27)

Effective Date: 11/9/1998

Description: The law exempts charges for admission to athletic games or exhibition when sold by a public elementary or qualifying non-profit secondary school.

2 Admissions Charges from an Exempt Organization

Citation: N.J.S.A. 54:32B-9(f) (P.L. 1997, c.162)

Effective Date: 11/9/1998

Description: Admission charges to certain events are exempt from tax if proceeds from the sale go exclusively to an exempt organization.

3 Advertising Published in a Newspaper

Citation: N.J.S.A. 54:32B-8.30 (P.L. 1980, c.105)

Effective Date: 9/11/1980

2012 Estimate: \$117,348,100

Description: Receipts from the sales of advertising to be published in a newspaper are exempt from the tax imposed under the Sales and Use Tax Act.

Data Source Economic Census 2002-2007

Reliability: 4 Based on average or marginal tax rates applied to aggregate data

4 American and New Jersey State Flags

Citation: N.J.S.A. 54:32B-8.26 (P.L. 1980, c.105)

Effective Date: 9/11/1980

Description: Receipts from sales of the flag of the United States of America and of the flag of the State of New Jersey are exempt from sales tax.

5 Bakery Items

Citation: N.J.S.A. 54:32B-3(c)(3)(ii)(c) (P.L. 2005, c.126)

Effective Date: 7/2/2005

2012 Estimate: \$42,726,700

Description: Bakery items sold as such, including but not limited to, bread, rolls, buns, biscuits, bagels, croissants, pastries, donuts, danish, cakes, tortes, pie, tarts, muffins, bars, cookies, and tortillas are exempt from tax if sold without eating utensils provided by the seller.

6 Barges

Citation: N.J.S.A. 54:32B-8.12 (P.L. 1988, c.53)

Effective Date: 7/8/1988

Description: The law exempts receipts from the sale or repairs, alterations or conversion of certain commercial ships, including barges.

7 Building Materials and Supplies Purchased for an Exempt Organization

Citation: N.J.S.A.54:32B-8.22 (P.L. 1980, c. 105, amended 1983, c. 303, § 31; P.L. 1988, c. 83, § 1; P.L.

Effective Date: 7/15/2006

Description: Receipts from sales made to contractors or repairmen of materials, supplies or services for exclusive use in erecting structures or building on, or otherwise improving, altering or repairing real property of exempt entities or government agencies are exempt from tax.

8 Capital Improvements to Real Property

Citation: N.J.S.A. 54:32B-3(b)(4)

Effective Date: 12/19/2008

Description: Services in constructing or altering real property where the work performed results in a capital improvement is exempt from tax.

9 Cargo Containers

Citation: N.J.S.A. 54:32B-8.12 (P.L. 1980, c. 105, § 24; amended P.L. 1981, c. 218, § 1; P.L. 1988, c. 53;

Effective Date: 11/24/1999

Description: Receipts from sales or charges for repairs, alterations or conversion of any type of cargo containers used for commercial loading, storing, hauling or transport are exempt from the tax imposed under the Sales and Use Tax Act.

10 Casual Sales

Citation: N.J.S.A. 54:32B-8.6 (P.L. 1980, c. 105, § 18; amended P.L. 1983, c. 400, § 7; P.L. 1989, c. 123,

Effective Date: 7/2/2005

Description: The law exempts property sold as a casual sale, where an individual or business sells goods, originally purchased for their own use, so long as they are not in the business of selling such products. Yard and rummage sales are common examples. Motor vehicles do not qualify as a casual sale.

11 Certain Broadcast Equipment

Citation: N.J.S.A. 54:32B-8.13(e)

Effective Date: 7/14/1997

Description: Machinery, apparatus, or equipment used directly and primarily in the production or transmission of radio or television broadcasts by commercial broadcasters operating under a broadcasting license issued by the Federal Communications Commission or by providers of cable/satellite television program services. The exemption also applies to parts with a useful life of more than one year.

Data Source Economic Census 2002-2007

Reliability: 4 Based on average or marginal tax rates applied to aggregate data

12 Certain Casino Parking Charges

Citation: N.J.S.A. 54:32B-3(i)

Effective Date: 12/19/2008

Description: Parking charges imposed pursuant to an agreement between the Casino Reinvestment Development Authority and a casino operator are exempt.

13 Certain Chemicals and Catalysts

Citation: N.J.S.A. 54:32B-8.20

Effective Date: 9/11/1980

Description: Materials used to induce chemical or refining processes in which the materials are an essential part of the process but do not become part of the finished product.

14 Certain Commercial Trucks and Truck Repairs

Citation: N.J.S.A. 54:32B-8.43

Effective Date: 11/19/1990

Description: Receipts from sales, renting or leasing of commercial trucks, truck tractors, tractors, semitrailers which are registered in New Jersey and have a gross vehicle weight rating in excess of 26,000 pounds or are operated actively and exclusively for the carriage of interstate freight pursuant to a certificate or permit issued by the Interstate Commerce Commission are exempt from sales tax. Repair and replacement parts for such vehicles, also qualify for the tax exemption.

15 Certain Direct Mail Advertising and Processing Services

Citation: N.J.S.A. 54:32B-3(b)(5)

Effective Date: 12/19/2008

Description: This exemption applies to charges for printing or production of direct mail and direct mail processing services performed for distribution to out-of-State recipients.

16 Certain Electricity

Citation: N.J.S.A. 54:32B-8.46 (P.L. 1997, c. 162, § 26, eff. Jan. 1, 1998; amended 1998, c. 114, § 4)

Effective Date: 1/28/2010

Description: Receipts from the sale, exchange, delivery or use of electricity are exempt from the tax imposed under the "Sales and Use Tax Act," if the electricity is sold by a municipal electric corporation to customers within its municipal or regulatory boundaries.

17 Certain Equipment for use at a Marine Terminal Facility

Citation: N.J.S.A. 54:32B-8.12

Effective Date: 11/24/1999

Description: The law exempts purchases of machinery, apparatus and equipment if they are for use at a marine terminal facility in loading, unloading and handling cargo carried by commercial ships, barges and other vessels.

18 Certain Equipment sold to a Regulated Service Provider

Citation: N.J.S.A. 54:32B-8.13(c)

Effective Date: 7/14/1997

Description: Machinery, apparatus and equipment sold to a service provider regulated by the BPU or FCC for use directly and primarily in providing telecommunications service are not subject to sales tax.

19 Certain Farmer Purchases

Citation: N.J.S.A. 54:32B-8.16

Effective Date: 1/6/2000

Description: The law exempts tangible personal property and production and conservation services to a farmer for use and consumption directly and primarily in the production, handling and preservation for sale of agricultural or horticultural commodities at the farming enterprise including materials used to construct non-residential buildings or structures such as a silo, greenhouse, grain bin, or manure handling equipment.

20 Certain Ferryboats

Citation: N.J.S.A. 54:32B-8.12

Effective Date: 11/14/1999

Description: Purchases of ferryboats that are primarily engaged in the transportation of passengers during peak hours of commutation are exempt from tax.

21 Certain Garbage Removal and Sewer Services

Citation: N.J.S.A. 54:32B-3(b)(4)

Effective Date: 12/19/2008

Description: Garbage removal and sewer maintenance services performed on a regular contractual basis for a term not less than 30 days.

22 Certain Massage Therapy Services

Citation: N.J.S.A. 54:32B-3(b)(9)

Effective Date: 12/19/2008

2012 Estimate: \$2,905,800

Description: Massage therapy services performed pursuant to a doctor's prescription or performed at a licensed medical professionals place of business to treat a physical ailment is exempt from tax.

23 Certain Partnership Distributions

Citation: N.J.S.A. 54:32B-(2)(e)(4)(D)

Effective Date: 12/19/2008

Description: Distribution of property by a partnership to its partners in whole or partial liquidation is not considered to be a sale for sales and use tax purposes.

24 Certain Purchases made by a Cogeneration Facility

Citation: N.J.S.A. 54:32B-8.13(d)

Effective Date: 7/14/1997

Description: Machinery, apparatus and equipment, building materials and structures are exempt if used directly and primarily for cogeneration in a cogeneration facility.

25 Certain Recycling Equipment

Citation: N.J.S.A. 54:32B-8.36

Effective Date: 10/1/2005

Description: Receipts from the sales of recycling equipment used exclusively to sort and prepare solid waste for recycling or in the recycling of solid waste is exempt from the tax.

26 Certain Services related to Exempt Vessels

Citation: N.J.S.A. 54:32B-8.12

Effective Date: 11/24/1999

Description: Storage and other services rendered with respect to loading, unloading and handling cargo at a marine terminal facility.

27 Certain Sewing Materials

Citation: N.J.S.A. 54:32B-8.4

Effective Date: 12/19/2008

Description: Receipts from sales of sewing materials, such as fabrics, thread, knitting yarn, buttons and zippers, purchased by noncommercial purchasers for incorporation into clothing as a constituent part thereof, are exempt from the tax imposed under the Sales and Use Tax Act.

28 Certain Utility Equipment Purchases

Citation: N.J.S.A. 54:32B-8.13(b)

Effective Date: 7/14/1997

Description: Sales of machinery, apparatus and equipment directly and primarily used in the production, generation, transmission and distribution of gas, electricity, refrigeration, steam and water for sale and in the operation of sewerage system are exempt from tax.

29 Charitable Organizations Exemption

Citation: N.J.S.A. 54:32B-9(b)

Effective Date: 7/8/2006

Description: Non-Profit organizations recognized as 501(c)3 under the Internal Revenue Code have a full sales tax exemption on all goods and services when purchased for their exclusive use.

30 Clothing and Footwear

Citation: N.J.S.A. 54:32B-8.4 (P.L. 1980, c. 105, § 16)

Effective Date: 12/19/2008

2012 Estimate: \$932,500,000

Description: Receipts from sales of articles of clothing and footwear, excluding fur clothing, for human use are exempt from the tax imposed under the "Sales and Use Tax Act."

31 Coin-Operated Telephone Service

Citation: N.J.S.A. 54:32B-8.58 (P.L. 2008, c. 123, § 16)

Effective Date: 12/19/2008

Description: Receipts from sales of coin-operated telephone service are exempt from the tax imposed under the Sales and Use Tax Act.

32 Coin-Operated Vending Machine Sales under \$.25

Citation: N.J.S.A. 54:32B-8.9

Effective Date: 10/15/1999

Description: Sales of any items for 25 cents or less, are not taxable and are deducted from gross sales receipts before calculating tax.

33 Commercial Fishing Boats and Boat Repairs

Citation: N.J.S.A. 54:32B-8.12

Effective Date: 11/24/1999

Description: Certain boats, including commercial party boats (headboats) engaged in sport fishing and subject to annual inspection by the U.S. Coast Guard, and vessels primarily engaged in commercial fishing or shellfishing. Also exempt are charges for repairs, alterations, reoutfitting of boats, fuel, maintenance, and charges for supplies.

34 Commercial Fishing Vessels

Citation: N.J.S.A. 54:32B-8.12

Effective Date: 11/24/1999

Description: Certain boats, including commercial party boats (headboats) engaged in sport fishing and subject to annual inspection by the U.S. Coast Guard, and vessels primarily engaged in commercial fishing or shellfishing.

35 Commercial Trucks used for Interstate Travel

Citation: N.J.S.A.54:32B-8.43

Effective Date: 7/1/1990

Description: The purchase, rental, or lease of commercial trucks, tractors, trailers, and vehicles used in combination with such when operated exclusively for the carriage of interstate freight pursuant to Federal law. Repair and replacement parts are also covered under this exemption.

36 Concession Stand Sales: State-Owned Veterans Facilities

Citation: N.J.S.A. 54:32B-8.54

Effective Date: 8/31/2003

Description: Concession stand sales located at State-owned veterans facilities are not subject to tax by law.

37 Credit for Certain Property when used as a Trade-in

Citation: N.J.S.A. 54:32B-2(oo)(2)(E)

Effective Date: 12/19/2008

2012 Estimate: \$815,221,500

Description: Within the Sales and Use Tax Act, the term "Sales price" does not include credit for any trade-in of property of the same kind accepted in part payment and intended for resale if the amount is separately stated on the invoice, bill of sale, or similar document given to the purchaser.

38 Diabetic Supplies

Citation: N.J.S.A. 54:32B-8.1

Effective Date: 12/19/2008

Description: An exemption exists for certain medical supplies and equipment including diabetic supplies.

39 Dietary Supplements

Citation: N.J.S.A. 54:32B-8.2

Effective Date: 12/19/2008

Description: Products required by the Federal government to be labeled as a dietary supplement, and that are identifiable by the Supplement Facts box on the label are exempt from NJ Sales and Use Tax.

40 Diplomats, Consulates and Foreign Embassies

Citation: N.J.S.A. 54:32B-9(a)(3)

Effective Date: 7/8/2006

Description: Purchases made by diplomats, consulates and foreign embassies are exempt from tax when made for purposes approved by the Department of State, Office of Foreign Missions.

41 Disposable Household Paper Products

Citation: N.J.S.A. 54:32B-8.44

Effective Date: 7/15/1991

2012 Estimate: \$80,700,000

Description: Sales of disposable household paper products such as towels, napkins, toilet tissue, paper plates, and paper cups are exempt from sales tax.

42 Distribution of Certain Corporate Property

Citation: N.J.S.A. 54:32B-(2)(e)(4)(c)

Effective Date: 12/19/2008

Description: The distribution of property by a corporation to its stockholders as a liquidating dividend is not considered a sale under the Sales and Use Tax Act.

43 Durable Medical Equipment

Citation: N.J.S.A. 54:32B-8.1 (P.L. 1980, c. 105, § 13; amended 1982, c. 227, § 5; 1987, c. 383, § 1; 200

Effective Date: 12/19/2008

Description: Purchases of durable medical equipment including bath and shower chairs, bed pans, and raised toilet seats are not subject to tax.

44 Eggs, Fish, Meat and Poultry

Citation: N.J.S.A. 54:32B-3(c)(3)(i)(B)

Effective Date: 12/19/2008

2012 Estimate: \$194,700,000

Description: The sale of eggs, fish, meat, poultry and foods that contain these raw animal foods that require cooking by the consumer are not subject to sales tax.

Data Source: From Economic Census. Does not include eggs.

Reliability: 4 Based on average or marginal tax rates applied to aggregate data

45 Electronically Delivered Software for Business Use

Citation: N.J.S.A. 54:32B-8.56 (P.L. 2005, c. 126, § 15; amended 2006, c. 44, § 12; 2008, c. 123, § 11).

Effective Date: 12/19/2008

Description: The law exempts sales prewritten computer software used exclusively for business when delivered electronically.

46 Employer Provided Parking

Citation: N.J.S.A. 54:32B-3(i)

Effective Date: 12/19/2008

Description: Charges for employee parking, when provided by an employer or at a facility owned or operated by the employer, are exempt from tax.

47 Energy and Utility Service

Citation: N.J.S.A. 54:32B-8.47 (P.L. 1997, c. 162, § 33; amended 2007, c. 94, § 1)

Effective Date: 5/10/2007

Description: Receipts from the sale or use of energy and utility service to or by a utility corporation or person that was subject to the provisions of P.L.1940, c.4 ([C.54:30A-16](#) et seq.), as of April 1, 1997, or currently or formerly subject to taxation pursuant to P.L.1940, c.5 ([C.54:30A-49](#) et seq.), for their own use and consumption, are exempt from the tax imposed under the Sales and Use Tax Act.

48 Equipment for Printing and Publishing

Citation: N.J.S.A. 54:32B-8.29 (P.L. 1980, c. 105, 41. Amended by L. 1985, c. 440, 1)

Effective Date: 3/1/1986

Description: An exemption exists for machinery and equipment used by businesses engaged in commercial printing, publishing of periodicals, books, business forms, greeting cards, or miscellaneous publishing, typesetting, photoengraving, electrotyping, stereotyping, and lithographic platemaking, including supplies.

49 Equipment used on Boats or Ships

Citation: N.J.S.A. 54:32B-8.12 (PL. 1980, c. 105, § 24; amended 1981, c. 218, § 1; 1988, c. 53; 1999, c.

Effective Date: 11/24/1999

Description: Sales of machinery, apparatus and equipment for fuel, provisions, supplies, maintenance and repairs (other than articles purchased for the original equipping of a new ship) on a boat or other vessel are exempt.

50 Exempt Organizations: State of New Jersey and its Agencies

Citation: N.J.S.A. 54:32B-9(a)(1)

Effective Date: 7/8/2006

Description: Certain purchasers are exempt from sales and use tax including the State of New Jersey, or any of its agencies, instrumentalities and public authorities.

51 Exempt Organizations: Parent-Teachers Associations

Citation: N.J.S.A. 54:32B-9(b) (P.L. 1997, c.162)

Effective Date: 11/9/1998

Description: Purchases made by and for the use of an association of parents and teachers of an elementary or secondary school are exempt for either a public and private school association.

52 Exempt Organizations: United Nations

Citation: N.J.S.A. 54:32B-9(a)(3)

Effective Date: 7/8/2006

Description: The law exempts the United Nations or any international organization of which the United States of America is a member where it is the purchaser, user or consumer, or where it sells services or property of a kind not ordinarily sold by private persons.

53 Exempt Organizations: United States of America

Citation: N.J.S.A. 54:32B-9(a)(2)

Effective Date: 7/8/2006

2012 Estimate: \$208,495,000

Description: The law exempts the United States of America, and any of its agencies and instrumentalities, where it is the purchaser, user or consumer, or where it sells services or property of a kind not ordinarily sold by private persons.

54 Exemption for Certain Vessels

Citation: N.J.S.A. 54:32B-8.12 (P.L. 1980, c. 105, § 24; amended 1981, c. 218, § 1; 1988, c. 53; 1999, c

Effective Date: 11/24/1999

Description: The sale of vessels of 50-ton burden or over primarily engaged in interstate or foreign commerce are exempt from sales tax.

55 Exemption for Volunteer Fire and Similar Emergency Companies

Citation: N.J.S.A. 54:32B-9(b)

Effective Date: 7/8/2006

Description: The law provides a sales tax exemption on purchases made by a volunteer fire company, rescue, ambulance, first aid and emergency company or squad.

56 Farm Vehicles and Vehicle Repairs

Citation: N.J.S.A. 54:32B-8.43

Effective Date: 11/19/1990

Description: This exemption applies to the purchase of trucks, trailers, and truck-trailer combinations that are used directly and exclusively in the production for sale of tangible personal property on farms when the vehicles have a gross vehicle weight rating in excess of 18,000 pounds and are registered with the New Jersey Division of Motor Vehicles for farm use.

57 Films, Records and Tapes used in Radio and Television

Citation: N.J.S.A. 54:32B-8.18

Effective Date: 9/11/1980

Description: Films, records, tapes, and other types of visual or sound transcriptions produced for exhibition in theaters or for broadcast by radio or television stations or networks and not used for advertising may be purchased exempt from sales tax.

58 Firearm Safety Locks

Citation: N.J.S.A. 54:32B-8.50

Effective Date: 12/1/1999

Description: Receipts from sales of firearm trigger locks and other devices that enable the firearm to be made inoperable by anyone other than an authorized person.

59 Firearm Storage Vaults

Citation: N.J.S.A. 54:32B-8.51

Effective Date: 12/1/1999

Description: Receipts from sales of firearm vaults providing secure storage for firearms.

60 Food and Drink for Airline Passengers

Citation: N.J.S.A. 54:32B-3

Effective Date: 12/19/2008

Description: Food and drink sold by airlines for consumption while in flight are not subject to sales tax.

61 Food and Food Ingredients

Citation: N.J.S.A. 54:32B-8.2

Effective Date: 12/19/2008

2012 Estimate: \$1,603,875,000

Description: Food sold for human consumption in various states but not including hot or prepared food, candy and soft drinks.

62 Food Purchased with Food Stamps

Citation: N.J.S.A. 54:32B-2(oo)(2)(D)

Effective Date: 9/11/1980

Description: The term "sales price" does not include the amount for which food stamps have been properly tendered in full or part payment.

63 Food Sold by a Manufacturer

Citation: N.J.S.A. 54:32B-3(c)(3)(ii)(A)

Effective Date: 12/19/2008

Description: Food sold by a seller who is a manufacturer is exempt from NJ sales tax.

64 Food sold in an Unheated State

Citation: N.J.S.A. 54:32B-3(c)(3)(ii)(B)

Effective Date: 12/19/2008

Description: Foods prepared by the seller are exempt if sold in an unheated state by weight or volume and without utensils provided by the seller.

65 **Food that is Cut, Repacked or Pasteurized by the Seller**

Citation: N.J.S.A. 54:32B-3(c)(3)(i)(B)

Effective Date: 12/19/2008

Description: Food that is only cut, repackaged, or pasteurized by the seller is not subject to sales tax if sold without eating utensils.

66 **Garment Services**

Citation: N.J.S.A. 54:32B-3(b)(2)(iii)

Effective Date: 12/19/2008

Description: Charges for laundering, dry cleaning, tailoring, weaving, and pressing, limited specifically to clothing, are exempt.

67 **Gas, Water, Steam and Fuel**

Citation: N.J.S.A. 54:32B-8.7

Effective Date: 6/1/1998

Description: The law exempts sales of gas, other than natural gas, water, steam, or fuel delivered to consumers through mains, lines, pipe, or in containers or bulk.

68 **Gold and Silver**

Citation: N.J.S.A. 54:32B-8.32

Effective Date: 9/11/1980

Description: Receipts from the sales of gold or silver and storage thereof, in the form that can be traded on an exchange are exempt from the tax imposed under the Sales and Use Tax Act.

69 Government-owned Ships and Other Vessels

Citation: N.J.S.A. 54:32B-8.12

Effective Date: 11/24/1999

Description: Governmentally-owned ships, barges and other vessels, including property used by or purchased for the use of such vessels, is exempt from tax.

70 Human Blood and its Derivatives

Citation: N.J.S.A. 54:32B-8.1

Effective Date: 12/19/2008

Description: The law exempts sales of human blood and its derivatives.

71 Imprinting Services

Citation: N.J.S.A. 54:32B-8.48

Effective Date: 1/12/1998

Description: The law exempts charges for imprinting services when performed on production or manufacturing equipment.

72 Inconsequential Tangible Personal Property

Citation: N.J.S.A. 54:32B-(2)(e)(4)(A)

Effective Date: 12/19/2008

Description: Professional, insurance, or personal service transactions which involve the transfer of tangible personal property as an inconsequential element, for which no separate charges are made.

73 Initiation Fees and Membership Dues: Exempt Entity Operated

Citation: N.J.S.A. 54:32B-3(h)(2)

Effective Date: 12/19/2008

Description: The law exempts charges for initiation fees and membership dues of a health and fitness, athletic, sporting or shopping club or organization operated by an exempt religious, charitable, scientific, literary or educational organization.

74 Initiation Fees and Membership Dues: Youth Membership

Citation: N.J.S.A. 54:32B-3(h)(1)

Effective Date: 7/1/2007

Description: Although generally taxable, charges in the nature of initiation fees, membership fees or dues of a health and fitness, athletic, sporting or shopping club or organization whose members are predominantly age 18 or under are exempt from sales tax.

76 Interest, Financing, and Carrying Charges

Citation: N.J.S.A. 54:32B-2(oo)(2)(B)

Effective Date: 12/19/2008

Description: The law does not tax separately stated interest, financing, and/or carrying charges from credit extended on the sale of personal property or services.

77 Internet Access Service

Citation: N.J.S.A. 54:32B-2(cc)(12)

Effective Date: 12/19/2008

2012 Estimate: \$61,499,000

Description: Internet access service charges, including the routing of internet traffic, are not subject to tax.

78 Laundry and Dry Cleaning Services for Clothing

Citation: N.J.S.A. 54:32B-3(b)(2)(iii)

Effective Date: 12/19/2008

Description: Charges for laundering, dry cleaning, tailoring, weaving, and pressing, limited specifically to clothing, are exempt.

79 Limousine Services - Funerals

Citation: N.J.S.A.54:32B-3(b)(13)

Effective Date: 12/19/2008

Description: Charges for limousine transportation provided in connection with funeral services.

80 Limousines and Limousine Repairs

Citation: N.J.S.A. 54:32B-8.52

Effective Date: 5/10/2001

Description: Limousines sold to a person licensed under New Jersey law to operate a limousine service and charges for the repair, including replacement parts, of a limousine operated by a person so licensed or by a person licensed by another state or by the United States to operate a limousine service.

81 Locomotives, Railroad Cars and other railroad rolling stock

Citation: N.J.S.A. 54:32B-8.27

Effective Date: 9/11/1980

Description: Receipts from sales of locomotives, railroad cars and other railroad rolling stock, including repair and replacement parts, track materials, and communication, signal and power transmission equipment are exempt from the tax imposed under the Sales and Use Tax Act.

82 Magazines and Periodicals

Citation: N.J.S.A. 54:32B-8.5

Effective Date: 7/8/2006

Description: Magazines and Periodicals are exempt from tax, but only when sold by subscription.

83 Medical Oxygen

Citation: N.J.S.A. 54:32B-8.1

Effective Date: 12/19/2008

Description: The law exempts sales of oxygen used for medicinal purposes.

84 Membership Periodicals

Citation: N.J.S.A. 54:32B-8.5

Effective Date: 7/8/2006

Description: Any periodical distributed by a nonprofit organization to its members as a benefit of membership in the organization.

85 Milk Sales by Coin-Operated Vending Machine

Citation: N.J.S.A. 54:32B-3(c)(2)

Effective Date: 12/19/2008

Description: Receipts from the sale of milk through coin-operated vending machines are exempt from tax, regardless of price.

86 Mobility Enhancing Equipment

Citation: N.J.S.A. 54:32B-8.1

Effective Date: 12/19/2008

Description: Sales of mobility enhancing equipment including canes, crutches, wheelchairs, wheelchair lifts, hand controls for vehicles if purchased with a prescription. The purchase of repair and replacement parts are included under this exemption.

87 Motor, Airplane and Railroad Fuels

Citation: N.J.S.A. 54:32B-8.8

Effective Date: 9/11/1980

Description: The sale of fuels for use in motor vehicles, airplanes and railroad cars are exempt.

88 Municipal Parking Charges

Citation: N.J.S.A. 54:32B-3(i)

Effective Date: 12/19/2008

Description: The law exempts charges for parking, storing or garaging provided a motor vehicle by a municipality, county, or municipal or county parking authority.

89 Newspapers

Citation: N.J.S.A. 54:32B-8.5

Effective Date: 7/8/2006

Description: The sales of newspapers are exempt from sales tax.

90 Non-Reimbursed Discounts

Citation: N.J.S.A. 54:32B-2(oo)(2)(A)

Effective Date: 12/19/2008

Description: When a taxable item is purchased at a discounted price, or with a coupon, sales tax is due only on the reduced sale amount so long as the seller is not being reimbursed by a third-party, such as a manufacturer's coupon, for the discounted amount.

91 Hotel Occupancy by a Permanent Resident

Citation: N.J.S.A. 54:32B-2(m)

Effective Date: 12/19/2008

Description: Charges for lodging at a hotel, motel or similar facility where the occupant resides at the lodging facility for at least 90 consecutive days.

92 Other Taxes Imposed on the Consumer

Citation: N.J.S.A. 54:32B-2(oo)(2)(c)

Effective Date: 7/2/2005

Description: Any taxes legally imposed directly on the consumer that are separately stated on the invoice, bill of sale, or similar document given to the purchaser are exempt from sales tax. Examples include Federal excise taxes imposed on a consumers telecommunications services.

93 Out-of-State Sales

Citation: N.J.S.A. 54:32B-8.10

Effective Date: 9/11/1980

Description: The law does not tax sales of taxable products where the customer receives or takes possession of the goods outside of New Jersey.

94 **Over-the-Counter Drugs**

Citation: N.J.S.A. 54:32B-8.1

Effective Date: 12/19/2008

2012 Estimate: \$58,700,000

Description: Sales of over-the-counter drugs where there is a label identifying the product as a drug, such as a Drug Facts panel or a statement of active ingredients.

Data Source Economic Census 2002-2007

Reliability: 4 Based on average or marginal tax rates applied to aggregate data

95 **Parking Charges Subject to Other Taxes**

Citation: N.J.S.A. 54:32B-3(i)

Effective Date: 12/19/2008

Description: Charges for parking or storing a motor vehicle are not subject to sales tax when they are taxed pursuant to any other law or ordinance, such as municipal parking tax.

96 **Parking Charges Subject to the Atlantic City Parking Fee**

Citation: N.J.S.A. 54:32B-3(i)

Effective Date: 12/19/2008

Description: Charges for parking or storing a motor vehicle are not subject to sales tax when they are taxed pursuant to the Atlantic City Parking Fee.

97 **Participatory Sporting Activities**

Citation: N.J.S.A. 54:32B-3(e)(1)

Effective Date: 12/19/2008

2012 Estimate: \$14,542,600

Description: Charges for sporting activities where the purchases pays a fee to engage as a participant such as kart racing or batting cage fees.

Data Source Economic Census 2002-2007

Reliability: 4 Based on average or marginal tax rates applied to aggregate data

98 Prepared Food Delivered to Homebound

Citation: N.J.S.A. 54:32B-3(c)(1)

Effective Date: 12/19/2008

Description: Charges for prepared food delivered to homebound elderly, age 60 or older, and to disabled persons and meals as all or part of any food service project funded by the government or by a non-profit food service project are exempt from sales tax.

99 Prescribed Drugs and Medications

Citation: N.J.S.A. 54:32B-8.1

Effective Date: 12/19/2008

2012 Estimate: \$652,600,000

Description: Drugs sold pursuant to a doctor's prescription are exempt from tax provided there is a label identifying the product as a drug, such as a Drug Facts panel or a statement of active ingredients.

Data Source Using 2002 and 2007 Economic Census, Merchandise Line Sales: Prescription's New Jersey

100 Printed Advertising Material Delivered Out-of-State

Citation: N.J.S.A. 54:32B-8.39

Effective Date: 12/19/2008

Description: Charges for printing or production of direct mail for subsequent shipment to out-of-State customers is not subject to sales tax to the extent that it will be shipped to non-resident customers.

101 Private Services to a Homeowner

Citation: N.J.S.A. 54:32B-3(b)(2)(i)

Effective Date: 12/19/2008

Description: Sales tax is not imposed on charges for services rendered by an individual who is engaged directly by a private homeowner or lessee in or about his residence and who is not in a regular trade or business offering his services to the public.

102 **Production Machinery**

Citation: N.J.S.A. 54:32B-8.13(a)

Effective Date: 1/8/2002

Description: Machinery and equipment used directly and primarily in the production of merchandise by manufacturing, assembling, processing, and refining. The exemption also applies to parts with a useful life of more than one year, and to imprinting services performed on such machinery.

103 **Property Contributed towards Partnership Interest**

Citation: N.J.S.A. 54:32B-(2)(e)(4)(F)

Effective Date: 12/19/2008

Description: Under the Sales and Use Tax Act, the term "retail sale" does not include the contribution of property to a partnership in consideration for a partnership interest therein.

104 **Property purchased for Film or Video Productions**

Citation: N.J.S.A. 54:32B-8.49

Effective Date: 12/1/1999

Description: Tangible personal property used directly and primarily in the production of film or video for sale including charges for installing, maintaining, servicing, or repairing such property are exempt from tax.

Effectiveness: Massachusetts has done an extensive study of its similar film tax credit.
<http://www.mass.gov/Ador/docs/dor/News/2010FilmIncentiveReport.pdf>

105 **Property used in Research and Development**

Citation: N.J.S.A. 54:32B-8.14

Effective Date: 12/19/2008

Description: Tangible personal property purchased for use or consumption directly and exclusively in research and development in the experimental or laboratory sense.

106 **Prosthetic Devices**

Citation: N.J.S.A. 54:32B-8.1

Effective Date: 12/19/2008

Description: The sale of prosthetic devices, including repair parts and replacement parts, are exempt from sales tax.

107 **Protective Work Equipment**

Citation: N.J.S.A. 54:32B-8.4

Effective Date: 12/19/2008

Description: The sale of protective equipment is exempt if the equipment is necessary for daily work of the user.

108 **Public Passenger Buses**

Citation: N.J.S.A. 54:32B-8.28 (P.L. 1991, c.497)

Effective Date: 1/18/1992

Description: Receipts from sales of buses for public passenger transportation, including repair and replacement parts and labor, to bus companies whose rates are regulated by the Interstate Commerce Commission or the Department of Transportation or to an affiliate of said bus companies or to common or contract carriers for their use in the transportation of children to and from school are exempt from the tax imposed under the Sales and Use Tax Act.

109 **Purchases for Resale**

Citation: N.J.S.A. 54:32B-2(e)(1)

Effective Date: 12/19/2008

Description: Items purchased to resell, or to be incorporated into other products for resale, are exempt from sales tax.

110 Radio and Television Programming Services

Citation: N.J.S.A. 54:32B-2(cc)(13)

Effective Date: 12/19/2008

Description: Radio and television audio and video programming services, including cable and satellite television service, is exempt from tax.

111 Rental of Tangible Personal Property to Related Parties

Citation: N.J.S.A. 54:32B-8.53

Effective Date: 8/1/2003

Description: Receipts from the rental of tangible personal property, on which sales tax was paid, between related persons, not engaged in the regular trade or business of renting that property to other persons are exempt from the tax.

112 Repairs to Certain Aircraft

Citation: N.J.S.A. 54:32B-8.35(b)

Effective Date: 1/1/2000

Description: Repairs, and installed replacement parts, to aircraft which have a certified maximum takeoff weight of 6,000 pounds or more are exempt from sales tax.

113 Resale of Taxable Services

Citation: N.J.S.A. 54:32B-3(b)

Effective Date: 12/19/2008

2012 Estimate: \$3,216,582,800

Description: The law exempts services when purchased by a contractor or vendor for resale such as in subcontracted service.

114 **Residential Parking**

Citation: N.J.S.A. 54:32B-3(i)

Effective Date: 12/19/2008

Description: Charges for parking, storing or garaging a motor vehicle are exempt from tax if used exclusively for residential purposes.

115 **Sale-Leaseback Transactions**

Citation: N.J.S.A. 54:32B-8.57

Effective Date: 10/1/2005

Description: A sale-leaseback is considered to be a financing arrangement and is not considered to be a "retail sale".

116 **Salem County Reduced Sales Tax**

Citation: N.J.S.A. 54:32B-8.45

Effective Date: 7/8/2006

Description: Sales of tangible personal property, except for motor vehicles, are subject to New Jersey sales tax at a reduced 50% rate.

117 **Sales by a Mortician, Undertaker or Funeral Director**

Citation: N.J.S.A. 54:32B-8.17

Effective Date: 9/11/1980

Description: Receipts from sales of tangible personal property sold by a mortician, undertaker or funeral director are exempt from the tax.

118 Sales of Certain Aircraft

Citation: N.J.S.A. 54:32B-8.35(a)

Effective Date: 1/1/2000

Description: The law exempts the sale of aircraft to be used as air carriers. The exemption includes the purchase of repairs and installation of replacement parts.

119 Sales of Property held for Security

Citation: N.J.S.A. 54:32B-(2)(e)(4)(G)

Effective Date: 12/19/2008

Description: Under the Sales and Use Tax Act, the term "retail sale" does not include the sale of tangible personal property if the purpose of the vendee is to hold the thing transferred as security for the performance of an obligation of the seller.

120 School Textbooks

Citation: N.J.S.A. 54:32B-8.21

Effective Date: 10/1/2005

2012 Estimate: \$12,600,000

Description: The sale of textbooks for use by students in a school, college, university, or other educational institution, approved as such by the Department of Education, when the educational institution declares that the books are required reading for school purposes.

121 Services Performed as an Employee

Citation: N.J.S.A. 54:32B-3

Effective Date: 12/19/2008

Description: Wages, salaries, and other compensation paid by an employer to an employee for performing as an employee a taxable service.

122 Services Rendered by Certain Individuals

Citation: N.J.S.A. 54:32B-3(b)(2)(v)

Effective Date: 12/19/2008

Description: Services rendered by an individual who is not in the regular trade or business offering his services to the public.

123 Services to Exempt Medical Equipment

Citation: N.J.S.A. 54:32B-3(b)(2)

Effective Date: 12/19/2008

Description: Sales tax is not imposed on charges for services performed to exempt medical equipment.

124 Services to Residential Home Heating Systems

Citation: N.J.S.A. 54:32B-3(b)(4)

Effective Date: 12/19/2008

Description: The sales tax law specifically exempts from tax the charges for maintaining or repairing residential heating system units serving no more than three families, provided that the families live independently of each other and do their own cooking on the premises.

125 Shoe Repairs

Citation: N.J.S.A. 54:32B-3(b)(2)(iv)

Effective Date: 12/19/2008

Description: Receipts shoe repairing and shoe shining are exempt from tax.

126 Solar Energy Devices and System Components

Citation: N.J.S.A. 54:32B-8.33

Effective Date: 9/11/1980

Description: Devices or systems specifically approved by the Board of Public Utilities, Division of Energy and designed to provide heating or cooling or electrical or mechanical power by converting solar energy to some other usable energy source, including devices for storing solar-generated energy.

127 Storage of Property Held for Sale

Citation: N.J.S.A. 54:32B-3

Effective Date: 12/19/2008

Description: Charges for storage space which is used to store property that is held for sale is not subject to sales tax, such as charges for the storage of a business's inventory.

128 Tampons or like products

Citation: N.J.S.A. 54:32B-8.1

Effective Date: 12/19/2008

Description: Tampons and similar products are exempt from sales tax.

129 Tax Exempt Organizations: National Guard and War Veteran Posts

Citation: N.J.S.A. 54:32B-9(b)(4)

Effective Date: 7/8/2006

Description: A National Guard organization, post or association, or a post or organization of war veterans, and the Marine Corps League, including auxiliary units or societies of any such post, organization or association are exempt from sales tax.

130 Tax Exemption for Certain Vessels

Citation: N.J.S.A. 54:32B-8.12 (P.L. 1980, c. 105, § 24; amended 1981, c. 218, § 1; 1988, c. 53; 1999, c

Effective Date: 11/24/1999

Description: The sale of vessels, regardless of tonnage, primarily engaged in commercial fishing or shell fishing, including equipment necessary for harvesting fish, shellfish and other crustaceans and aquatic organisms are exempt from tax.

131 Transfer of Property for Corporate Stock

Citation: N.J.S.A. 54:32B-(2)(e)(4)(E)

Effective Date: 12/19/2008

Description: The transfer of property to a corporation upon its organization in consideration for the issuance of its stock is not considered a sale for sales and use tax purposes.

132 Transfer of Property to a Corporation

Citation: N.J.S.A. 54:32B-(2)(e)(4)(B)

Effective Date: 12/19/2008

Description: The transfer of tangible personal property to a corporation, solely in consideration for the issuance of its stock, pursuant to a merger or consolidation effected under the laws of New Jersey or any other jurisdiction is not considered a 'retail sale' under the act and is, therefore, not subject to tax.

133 Transportation Charges Exemption

Citation: N.J.S.A. 54:32B-8.11 (P.L. 1980, c. 105, § 23; amended 1997, c. 162, § 22; 2006, c. 44, § 8)

Effective Date: 7/8/2006

Description: Receipts from charges for the transportation of persons or property are exempt from the tax imposed under the Sales and Use Tax Act, except for delivery charges; transportation services provided by a limousine operator; and the transportation of energy.

134 **Urban Enterprise Zone Exempt Business Purchases**

Citation: N.J.S.A. 52:27H-79 (P. L. 1983, c. 303, § 20; amended 1990, c. 40, § 9; 1997, c. 162, § 31; 20

Effective Date: 12/17/2008

2012 Estimate: \$132,600,000

Description: 100% sales and use tax exemption for UEZ businesses on purchases of tangible personal property and services for exclusive use at their UEZ location.

135 **Wrapping Supplies**

Citation: N.J.S.A. 54:32B-8.15

Effective Date: 7/8/2006

Description: Wrapping paper, bags, cartons, tape, rope, twine, labels, nonreturnable containers, and all other packaging supplies when the use of the supplies is incidental to the delivery of merchandise.

136 **Zero Emission Vehicles**

Citation: N.J.S.A. 54:32B-8.55 (P.L. 2003, c. 266, § 11)

Effective Date: 1/14/2004

Description: Receipts from sales of zero emission vehicles are exempt from the tax imposed under the Sales and Use Tax Act.

Corporation Business Tax Overview

Description

The Corporation Business Tax Act imposes a franchise tax on a domestic corporation for the privilege of existing as a corporation under New Jersey law, and on a foreign corporation for the privilege of having or exercising its corporate charter in this State or doing business, employing or owning capital or property, maintaining an office, deriving receipts, or engaging in contracts in New Jersey. The tax applies to all domestic corporations and all foreign corporations having a taxable status unless specifically exempt. The tax also applies to joint-stock companies or associations, business trusts, limited partnership associations, financial business corporations, and banking corporations, including national banks. Also, a corporation is defined as any other entity classified as a corporation for Federal income tax purposes and any state or Federally chartered building and loan association or savings and loan association. Taxpayers must pay the greater of their liability under the net income tax or the alternative minimum assessment. The income-based tax is measured by that portion of the net income allocable to New Jersey. The tax applies to net income for the firm's accounting period (calendar year or fiscal year), or any part thereof during which the corporation has a taxable status within New Jersey. The alternative minimum assessment is based on apportioned gross receipts or gross profits. Exempt from the tax are certain agricultural cooperative associations; Federal corporations which are exempt from state taxation; corporations created under the limited-dividend housing corporation law; nonprofit cemetery corporations; nonprofit corporations without capital stock; nonstock mutual housing corporations; railroad and canal corporations; sewerage and water corporations; insurance companies subject to premiums tax; and certain municipal electric corporations.

Rate

The tax rate is 9% upon entire net income, or the portion of entire net income allocated to New Jersey. For tax years beginning in calendar year 2002 and thereafter, the minimum Corporation Business Tax is \$500 or \$2,000 for all members of a controlled or affiliated group of corporations if the aggregate annual payroll for all corporations is \$5 million or more. Rates for New Jersey S corporations were also changed in 2002. New Jersey S corporations with an entire net income of \$100,000 or less are still subject to the minimum tax, but if entire net income exceeds \$100,000, the rate for periods ending on or before June 30, 2006, is 1.33%. For periods ending on or after July 1, 2006, but on or before June 30, 2007, the rate is 0.67%

For accounting years beginning on and after January 1, 2002, the 7.5% Corporation Business Tax rate for corporations with entire net income of \$100,000 or less is reduced to 6.5% for corporations with entire net income of \$50,000 or less.

For privilege periods ending on or after July 1, 2006, but before July 1, 2009, each taxpayer shall be assessed and must pay a surtax equal to 4% of the amount of tax liability remaining after applying credits against liability, other than credits for installment payments, estimated payments made with

a request for extension to file a return, or overpayments from a prior privilege period.

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

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

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

Disposition of Revenues

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

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

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

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:

Effective Date	Rate
January 1, 1959 (C. 63, P.L. 1958)	1¾%
January 1, 1967 (C. 134, P.L. 1966)	3¾%
January 1, 1968 (C. 112, P.L. 1968)	4¾%
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%

For taxable years ending after June 30, 1984, a carryover of net operating loss was allowed as a deduction from entire net income for seven years following the year of the loss (C. 143, P.L.1985, approved April 22, 1985).

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 new 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. The credit was extended to midsize businesses by P.L. 2002, C. 40. P.L. 1993, 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). A small business benefit was added by P.L. 2004, C. 65. Chapter 175 P.L. 1993, 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), later modified by P.L. 1999, C. 140 and P.L. 2004, C. 65, and supplemented by a credit transfer program P.L. 2004, C. 65, 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).

Other credits against Corporate Business Tax liability have also been enacted for effluent equipment (P.L. 2001, C. 321), neighborhood revitalization (P.L. 2001, C. 415), HMO credit (P.L. 2000, C. 12), the economic recovery tax credit (P.L. 2002, C. 43), and the remediation tax credit (P.L. 2003, C. 296).

Electric and telephone companies were subjected to the Corporation Business Tax effective January 1, 1999.

Chapter 369, P.L. 1999, excludes certain hedge fund activity income of corporations of foreign nations from taxation under the Corporation Business Tax.

Chapter 12, P.L. 2000, provides that holders and former holders of a certificate of authority to operate a health maintenance organization are allowed a Corporation Business Tax credit for certain payments they are required to make.

Chapter 23, P.L. 2001, provides for a three-year phase-out of the corporate taxation of the regular income of S corporations with annual income in excess of \$100,000, and for S corporations whose net income is under \$100,000 whose privilege periods end on or after July 1, 2001. Also, the bill

provides for the adjusted minimum tax amount to be rounded to the next highest multiple of \$10.

Chapter 136, P.L. 2001, provides for the Corporation Business Tax payment obligations of certain partnerships and limited liability companies for privilege periods beginning on and after January 1, 2001.

Chapter 40, P.L. 2002, among other things, effects the most extensive changes in the Corporation Business Tax since 1945. This law provides for a partnership filing fee, an alternative minimum assessment, nonresident partner withholding, a “throwout rule” on corporations apportioning income outside New Jersey, and new rules for related-party transactions. It also increases the minimum tax and broadens the definition of corporations that are subject to this tax.

Chapter 43, P.L. 2002, includes some provisions for incentives in the form of Corporation Business Tax credits to qualifying taxpayers engaged in a business in the qualified municipality during the municipality’s “period of rehabilitation and economic recovery.”

P.L. 2004, C. 47, limits the Corporation Business Tax application of net operating losses to 50% of taxable income for tax years 2004 and 2005.

P.L. 2004, C. 65, decouples Corporation Business Tax from changes in Federal bonus depreciation and certain expensing principles under IRC section 179.

P.L. 2005, C. 127, uncouples Corporation Business Tax from many provisions of the IRC Section 199 deduction for certain qualified production activities income.

P.L. 2005, C. 318, allows Corporation Business Tax credit to businesses providing employment to qualified handicapped persons at sheltered workshops.

P.L. 2005, C. 345, provides a credit under the Corporation Business Tax for film production expenses incurred in New Jersey and provides for the transfer of those tax credits to other taxpayers.

P.L. 2006, C. 38, imposes a 4% surcharge on the Corporation Business Tax liability and increases the minimum tax. The surcharge was in effect between July 1, 2006 and June 30, 2010.

P.L. 2007, C. 89, increases the amount of State tax credits granted to businesses providing funding to qualified neighborhood revitalization projects.

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.

The Business Tax Reform Act (C. 40, P.L. 2002) provides for two significant changes regarding corporate estimated tax. First, for the tax year beginning on or after January 1, 2002, all corporations must base their fourth quarter payment on 25% of the actual 2002 tax computed under the changes to avoid penalty. This one-time change supersedes the prior rules for estimated returns. The fourth quarter payment must be 25% of the year 2002 liability even if the corporation may have already satisfied all or substantially all of its year 2002 corporation tax liability through prior year's overpayments or quarterly estimated payments in the first three quarters. The corporation must nonetheless remit 25% of the year 2002 tax to avoid penalties.

Secondly, for large corporations with sales of over \$50 million, beginning with the year 2003, the second and third quarter payments, normally due on the 15th day of the 6th and 9th months, will be combined into a single 50% payment due on the 15th day of the 6th month. No payments will be due for such corporations on the 15th day of the 9th month, and normal 25% payments will be due in the 4th and 12th months.

Partnerships

Chapter 40, P.L. 2002, establishes a \$150 per partner filing fee for partnerships, LLPs, and LLCs deriving income from New Jersey sources. In general, the \$150 per partner fee is based on the number of K-1s issued. For professional service corporations, the \$150 fee applies for each registered professional who owns or is employed by the enterprise and is calculated using a quarterly average. In addition to the filing fee for the year, an installment payment equal to 50% of the filing fee is also required with the New Jersey partnership return. The annual fee is capped at \$250,000.

New Jersey partnership payments made on behalf of out-of-State corporate and noncorporate partners are based on taxable income whether the income is distributed or undistributed and are designated as a tax at a rate of 9% for nonresident corporate partners and 6.37% for noncorporate partners. Qualified investment partnerships and partnerships listed on a U.S. national stock exchange are not subject to the tax. The calculation is based on the partnership's "entire net income" multiplied by the partnership's New Jersey apportionment percentages computed under the Corporation Business Tax, not under Gross Income Tax.

Chapter 40, P.L. 2002, subjects savings banks and savings and loan associations to the Corporation Business Tax and repeals the Savings Institution Tax and the Corporation Income Tax.

Effective beginning with the 2002 tax year, P.L. 2003, C. 256, exempts investment clubs from the \$150 per owner annual partnership filing fee and from the requirement that partnerships remit Gross Income Tax payments on behalf of their nonresident noncorporate partners. To meet the definition of "investment club," the partnership must have income below \$35,000 per individual (up to a total of \$250,000) and satisfy other limitations and criteria.

P.L. 2005, C. 288, requires partners and other owners of pass-through entities to credit payments

made on their behalf against estimated taxes to end double withholding. In addition, for privilege periods beginning on or after January 1, 2007, partnerships that are required to make tax payments on behalf of nonresident partners must make installment payments of 25% of that tax on or before the 15th day of the 4th, 6th, and 9th months of the privilege period, and on or before the 15th day of the 1st month following the close of the privilege period.

Banking and Financial Corporations

Banking and financial corporations are subject to the Corporation Business Tax Act at the rate of 9% on net income or to the lesser rates stated above if their income meets those thresholds.

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 administered solely 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 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 (C. 17, P.L. 1996). 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

A taxpayer qualifying and electing to be taxed as an investment company is subject to an allocation percentage of 40% of the net income base. Investment companies are subject to a minimum tax of \$500.

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 were eliminated and a flat tax of \$500 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 Predissolution Payment

Chapter 367, P.L. 1973, approved in 1974, eliminated the requirement for a certificate to be obtained in the case of merger or consolidation involving a domestic or foreign corporation qualified to transact business in New Jersey. It also provided 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 a taxpayer has a regular place of business outside New Jersey, its tax liability is measured by net income allocated to New Jersey, according to a three-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.

The Business Tax Reform Act (P.L. 2002, C. 40) imposes a “throwout rule” on corporations apportioning income outside the State. The tax effect of the throwout rule on an affiliated or controlled group having \$20 million or more in net income is capped at \$5 million.

Chapter 40, P.L. 2002, also introduced an alternative minimum assessment (AMA) on apportioned gross receipts or gross profits of C corporations when the AMA exceeds the normal Corporation Business Tax. The assessment is based on either gross receipts or gross profits, with the taxpayer electing which formula to use. This formula must also be used for the next four tax periods. S corporations, professional corporations, investment companies, and unincorporated businesses are exempt from the AMA. The AMA also applies to non-New Jersey businesses deriving income from New Jersey sources with or without physical presence in the State that are not currently subject to the Corporation Business Tax.

For privilege periods beginning after June 30, 2006, the AMA is \$0, except for taxpayers claiming exemption under Pub. L. 86-272, for whom the previously prescribed rate will continue. For privilege periods beginning after December 31, 2006, the AMA for taxpayers otherwise subject to the AMA that consent to jurisdiction and pay the Corporation Business Tax will be \$0.

The use of net operating losses is suspended for tax years 2002 and 2003. For 2004 and 2005 net operating losses were limited to 50% of taxable income.

1 **60% of Investment Company Income**

Citation: N.J.S.A. 54:10A-5(d) (P.L. 1945, c. 162)

Effective Date: 12/19/2008

2012 Estimate: \$13,100,000

Description: Corporation Business Tax assessed and due for any investment company is measured by 40% of its entire net income and 40% of its entire net worth, rather than the entire net income.

2 **96% of Real Estate Investment Trust/Regulated Investment**

Citation: N.J.S.A. 54:10A-5(d)

Effective Date: 2/24/1983

2012 Estimate: \$5,500,000

Description: For a real estate investment trust, Corporation Business Tax is assessed and due measured by 4% of the trust's entire net income and 15% of its entire net worth rather than the entire net income.

3 **Agricultural Co Operatives**

Citation: N.J.S.A. 54:10A-3(c) (P.L. 1960. Ch 174)

Effective Date: 1/10/1961

Description: Agricultural cooperatives are statutorily excluded from the payment of Corporation Business Tax.

4 **All Income of New Jersey S Corporations**

Citation: N.J.S.A. 54:10A-5.22 (L. 1993, c. 173)

Effective Date: 7/7/1993

2012 Estimate: \$150,000,000

Description: Federal S-Corporations who have elected to be treated as New Jersey S-Corporations are not subject to the corporate tax rate on net profits from business. NJ S-Corporations pay only the statutory minimum tax.

5 Allocation/Apportionment

Citation: N.J.S.A. 54:10A-6

Effective Date: 7/1/2006

2012 Estimate: \$60,000,000

Description: The portion of its entire net worth to be used as a measure of the tax imposed under the Corporation Business Tax Act, and the portion of its entire net income to be used as a measure of the tax imposed by subsection (c) of section 5 of P.L.1945, c.162 ([C.54:10A-5](#)), shall be determined by multiplying such entire net worth and entire net income, respectively, by an allocation factor which is the property fraction, plus twice the sales fraction plus the payroll fraction and the denominator of which is four, except as the director may determine pursuant to section 8 of P.L.1945, c.162.

6 AMA Tax Credit

Citation: N.J.S.A. 54:10A-5af

Effective Date: 7/1/2002

2012 Estimate: \$46,200,000

Description: 1) If the alternative minimum assessment for a taxpayer computed pursuant to this section exceeds the tax computed pursuant to section 5 of P.L.1945, c.165 (C.54:10A-5) for a privilege period, the taxpayer shall be allowed an amount of credit equal to the amount by which the alternative minimum assessment computed pursuant to this section for the privilege period exceeds the tax computed pursuant to section 5 of P.L.1945, c.165 (C.54:10A-5) for that privilege period; provided however, that a taxpayer shall not be allowed a credit for any amount of alternative minimum assessment for a privilege period for which a credit is allowed pursuant to section 29 of P.L.2002, c.40 (C.54:10A-5b). The amount of credit may be carried forward for application in subsequent privilege periods subject to the limitations of paragraph (2) of this subsection.

(2)A taxpayer may apply all or a portion of the credits allowed by paragraph (1) of this subsection against the tax computed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5), for a privilege period for which the tax pursuant to that section exceeds the alternative minimum assessment computed for the privilege period pursuant to this section; provided however, that the amount of credit applied shall not reduce the amount of tax otherwise due to less than the alternative minimum assessment as computed pursuant to this section for the privilege period, shall not reduce the amount of tax otherwise due by more than 50%, and shall not reduce the amount of tax otherwise due below the statutory minimum provided in subsection (e) of section 5 of P.L.1945, c.162 (C.54:10A-5).

7 Business Retention and Relocation Tax Credit

Citation: N.J.S.A. 34:1B-114

Effective Date: 7/1/2004

2012 Estimate: \$2,700,000

Description: The Business Retention and Relocation Assistance Grant Program is hereby established as a program under the jurisdiction of the New Jersey Commerce and Economic Growth Commission and shall be administered by the Chief Executive Officer and Secretary of the New Jersey Commerce and Economic Growth Commission. The purpose of the program is to encourage economic development and job creation and to preserve jobs that currently exist in New Jersey but which are in danger of being relocated to premises outside of the State. To implement that purpose, and to the extent that funding for the program is available, the program may provide grants of tax credits but in no case shall the amount of an individual grant of tax credits exceed 80% of the projected State tax revenues from the retained full-time jobs covered by the project agreement of an applicant for a grant of tax credits.

8 Cemetery Corporations not conducted for profit

Citation: N.J.S.A. 54:10A-3(d)

Effective Date: 4/13/1945

Description: Nonprofit cemetery corporations first became exempt from the Corporation Business Tax in 1945.

9 Digital Media Production Credit

Citation: N.J.S.A. 54:10A-5.39

Effective Date: 1/11/2008

Description: Allows for a credit equal to 20% of a companies qualified digital media production expenses in new Jersey to be applied against Corporation Business Tax in the year the expenses are incurred. The amount of the digital media production tax credit, when used with other eligible tax credits, cannot exceed 50% of the tax liability. Unused credit amounts can be carried forward to future CBT years or transferred to another CBT filer. This tax credit expires January 15th, 2015.

10 Dividend Exclusion (ALL)

Citation: N.J.S.A. 54:10A-4(k)(2)(B)

Effective Date: 1/1/2002

2012 Estimate: \$2,439,400,000

Description: Entire net income shall be determined without the exclusion, deduction or credit of any part of any income from dividends or interest on any kind of stock, securities or indebtedness.

NOTE:

Entire net income shall exclude 100% of dividends which were included in computing such taxable income for federal income tax purposes, paid to the taxpayer by one or more subsidiaries owned by the taxpayer to the extent of the 80% or more ownership of investment described in subsection (d) of this section and shall exclude 50% of dividends which were included in computing such taxable income for federal income tax purposes, paid to the taxpayer by one or more subsidiaries owned by the taxpayer to the extent of 50% or more ownership of investment, such ownership of investment calculated in the same manner as the 80% or more of ownership of investment is calculated as described in subsection (d) of this section.

11 Dividend Exclusion (less than 50% owned)

Citation: N.J.S.A. 54:10A-4(k)(5)

Effective Date: 1/1/2002

2012 Estimate: \$159,300,000

Description: Entire net income shall exclude 100% of dividends which were included in computing such taxable income for federal income tax purposes, paid to the taxpayer by one or more subsidiaries owned by the taxpayer to the extent of the 80% or more ownership of investment described in subsection (d) of this section and shall exclude 50% of dividends which were included in computing such taxable income for federal income tax purposes, paid to the taxpayer by one or more subsidiaries owned by the taxpayer to the extent of 50% or more ownership of investment, such ownership of investment calculated in the same manner as the 80% or more of ownership of investment is calculated as described in subsection (d) of this section.

12 Economic Recovery Tax Credit

Citation: N.J.S.A. 52:27BBB-54, 52:27BBB-55

Effective Date: 6/30/2002

2012 Estimate: \$10,000

Description: A taxpayer engaged in the conduct of business within a qualified municipality and who is not receiving a benefit under the "New Jersey Urban Enterprise Zones Act," P.L.1983, c.303 (C.52:27H-60 et seq.), may apply to receive a tax credit against the amount of tax otherwise imposed under the "Corporation Business Tax Act (1945)," P.L.1945, c.162 (C.54:10A-1 et seq.), or the tax imposed on insurers pursuant to P.L.1945, c.132 (C.54:18A-1 et seq.), section 1 of P.L.1950, c.231 (C.17:32-15) and N.J.S.17B:23-5, equal to: \$2,500 for each new full-time position at that location in credit year one and \$1,250 for each new full-time position at that location in credit year two.

b. (1) The credit pursuant to subsection a. of this section for credit year one shall be allowed for the privilege period or reporting period in which or with which credit year one ends; the credit pursuant to subsection a. of this section for credit year two shall be allowed for the privilege period or reporting period in which or with which credit year two ends.

(2)An unused credit may be carried forward, if necessary, for use in the privilege periods or reporting periods following the privilege period or reporting period for which the credit is allowed.

(3)The order of priority of the application of the credit allowed under this section and any other credits allowed by law shall be as prescribed by the Director of the Division of Taxation. The amount of the credit applied under this section against the tax imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5) for a privilege period, together with any other credits allowed by law, shall not exceed 50% of the tax liability otherwise due and shall not reduce the tax liability to an amount less than the statutory minimum provided in subsection (e) of section 5 of P.L.1945, c.162.

c. (1) Notwithstanding the provisions of subsection b. of this section to the contrary, the credit allowed for credit year one may be refundable at the close of the privilege period or reporting period in which or with which credit year two ends, pursuant to the requirements and limitations of this subsection.

(2)That amount of the credit received for credit year one remaining, if any, after the liabilities for the privilege period or reporting period in which or with which credit year two ends and for any prior period have been satisfied, multiplied by the sustained effort ratio, shall be an overpayment for the

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purposes of section R.S.54:49-15 for the period in which or with which credit year two ends; that amount of the credit received for credit year one remaining, if any, that is not an overpayment pursuant to this paragraph may be carried forward pursuant to subsection b. of this section.

d. The burden of proof shall be on the taxpayer to establish by clear and convincing evidence that the taxpayer is entitled to the credits or refund allowed pursuant to this section. The director shall by regulation establish criteria for the determination of when new or expanded operations have begun at a location. No taxpayer shall be allowed more than a single 24-month continuous period in which credits shall be allowed for activity at a location within a qualified municipality pursuant to P.L.2002, c.43 (C.52:27BBB-1 et al.).

13 Effluent Equipment Tax Credit

Citation: N.J.S.A. 54:10A-5.31

Effective Date: 7/1/2002

2012 Estimate: \$214,800

Description: Tax credit for purchase of effluent treatment, conveyance equipment

14 Exceptions to Related Intangible Costs Expense Add Back

Citation: N.J.S.A. 54:10A-4.4(c) (P.L. 2002, c. 40)

Effective Date: 7/2/2002

2012 Estimate: \$127,800,000

Description: Intangible expenses are not added back when computing entire net income if intangible expenses and costs are directly or indirectly paid, accrued or incurred to a related member in a foreign nation which has in force a comprehensive income tax treaty with the United States or the taxpayer establishes by clear and convincing evidence, as determined by the director, that the adjustments are unreasonable or the taxpayer and the director agree in writing to the application or use of an alternative method of apportionment.

15 Film Production Tax Credit

Citation: N.J.S.A. 54:10A-5.39

Effective Date: 1/12/2006

2012 Estimate: \$4,700,000

Description: Allows for a credit equal to 20% of a company's qualified film production expenses in new Jersey to be applied against Corporation Business Tax in the year the expenses are incurred. The amount of the film production tax credit, when used with other eligible tax credits, cannot exceed 50% of the tax liability. Unused credit amounts can be carried forward to future CBT years or transferred to another CBT filer. This tax credit expires January 15th, 2015.

Effectiveness: Massachusetts has done an extensive study of its similar film tax credit.

<http://www.mass.gov/Ador/docs/dor/News/2010FilmIncentiveReport.pdf>

16 HMO Assistance Fund Tax Credit

Citation: N.J.S.A. 17B:32B-12

Effective Date: 4/6/2000

2012 Estimate: \$1,600,000

Description: A member organization may offset against its corporation business tax liability an amount of not more than 10% of any assessment for each of the five privilege periods beginning on or after the third calendar year commencing after the assessment was paid, except that no member organization may offset more than 20% of its corporation business tax liability in any one year.

To claim this credit, the taxpayer must complete Form 310 and attach it to the tax return.

17 Lack of Throw Back

Citation: N/A

Effective Date:

2012 Estimate: \$125,000,000

Description: When a corporation with facilities in the state has income that is not taxed by any state (because it does not have sufficient physical presence in some states where it has sales), then that income is "thrown back" and taxed in the state where the company has facilities. New Jersey does not have a throw back provision within our taxing statutes. Please note that there is no strict provision to account for the lack of a throwback.

18 Manufacturing Equipment and Employment Investment Tax Credit

Citation: N.J.S.A. 54:10A-5.16 - N.J.S.A. 54:10A-5.21

Effective Date: 1/1/1994

2012 Estimate: \$16,685,000

Description: A taxpayer shall be allowed a credit against the tax imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5), in an amount equal to 2% of the investment credit base of qualified equipment placed in service in the tax year, up to a maximum allowed credit for the tax year of \$1,000,000; provided however, that if a taxpayer has 50 or fewer employees (an average number of full-time employees and full-time employee equivalents of 50 or less) and entire net income to be used as a measure of the tax determined pursuant to section 6 of P.L.1945, c.162 (C.54:10A-6) of less than \$5,000,000 for the tax year, the taxpayer shall be allowed a credit against the tax imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5), in an amount equal to 4% of the investment credit base of qualified equipment placed in service in the tax year, up to a maximum allowed credit for the tax year of \$1,000,000.

19 **Neighborhood Revitalization State Tax Credit**

Citation: N.J.S.A. 52:27D-490

Effective Date: 7/1/2002

2012 Estimate: \$4,769,000

Description: A business entity shall be eligible for a certificate for neighborhood revitalization State tax credits if it has provided funding for a qualified project that has been approved in accordance with sections 4 and 5 of P.L.2001, c.415 (C.52:27D-493 and C.52:27D-494).

a.Credits may be granted in an amount up to 100 percent of the approved assistance provided to a nonprofit organization to implement a qualified neighborhood preservation and revitalization project.

b.The credit may be applied by the business entity receiving the certificate as credit against tax imposed on business related income, other than tax imposed under the New Jersey Gross Income Tax, including, but not limited to, business income subject to the provisions of the Corporation Business Tax Act (1945), P.L.1945, c.162 (C.54:10A-1 et al.), "The Savings Institution Tax Act," P.L.1973, c.31 (C.54:10D-1 et seq.), the tax imposed on marine insurance companies pursuant to R.S.54:16-1 et seq., the tax imposed on insurers generally, pursuant to P.L.1945, c.132 (C.54:18A-1 et seq.), the sewer and water utility excise tax imposed pursuant to section 6 of P.L.1940, c.5 (C.54:30A-54) and the petroleum products gross receipts tax imposed pursuant to section 3 of P.L.1990, c.42 (C.54:15B-3).

c.The credit allowed to a business entity under this section may not exceed for any taxable year \$1,000,000 or the total amount of tax otherwise payable by the business entity for the taxable year and, in addition, shall not exceed limitations placed on the amounts of credits or carryforward credits allowed, if any, under the relevant statute as enumerated in subsection b. of this section concerning the tax for which a credit is being claimed.

d.Credit shall not be allowed for activities for which the business entity is receiving credit under any other provision against any tax on business related income other than the New Jersey Gross Income Tax, including, but not limited to, the corporate business tax, corporate income tax, insurance premiums tax, petroleum products gross receipts tax, public utilities franchise tax, public utilities gross receipts tax, public utility excise tax, railroad franchise tax, and the saving institution tax.

e.The tax credit shall be awarded only for assistance provided within the same year in which the commissioner issued the certificate, or if the commissioner

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approved assistance for more than one year, within the year in which payment was scheduled and made. The provisions of this subsection may be waived for good cause shown.

f. The total tax credits certified for all qualified projects proposed in a fiscal year shall not exceed \$10,000,000.

20 Net Operating Loss Deduction

Citation: N.J.S.A. 54:10A-4(k)(6)(A) (P.L. 1985, Chapter 143)

Effective Date: 4/22/1985

2012 Estimate: \$516,300,000

Description: There are certain statutory exemptions and deductions allowable to arrive at income subject to tax. Amongst those are net operating loss deduction. There shall be allowed as a deduction for the privilege period the net operating loss carryover to that period.

21 New Jobs Investment Tax Credit

Citation: N.J.S.A. 54:10A-5.5 – N.J.S.A. 54:10A-5.15

Effective Date: 7/7/1993

2012 Estimate: \$1,900,000

Description: A taxpayer shall be allowed a credit against the portion of the tax imposed in section 5 of P.L.1945, c.162 (C.54:10A-5), that is attributable to and the direct consequence of the taxpayer's qualified investment in a new or expanded business facility in this State which results in the creation of at least five new jobs in the case of a small or mid-size business taxpayer, or at least 50 new jobs in the case of any other taxpayer, provided that the median compensation of all new jobs included in the taxpayer's determination of the new jobs factor shall not be less than \$27,000 per year, provided that beginning with tax years commencing on and after January 1 next following the operative date of this act the director shall adjust the median annual compensation which shall apply as provided in subsection e. of this section. The amount of this credit shall be determined and applied as hereinafter provided.

22 Non Profit Corporations

Citation: N.J.S.A. 54:10A-3(e) (P.L. 1945, c. 162)

Effective Date: 1/1/1992

Description: Nonprofit corporations, associations or organizations established, organized or chartered, without capital stock, under the provisions of Title 15, 16 or 17 of the Revised Statutes, Title 15A of the New Jersey Statutes or under a special charter or under any similar general or special law of this or any other state, and not conducted for pecuniary profit of any private shareholders or individual.

23 Non Profit Retirement Communities

Citation: N.J.S.A. 54:10A-3(h) (P.L. 1973, c. 275)

Effective Date: 11/29/1973

Description: Corporations not for profit organized under any law of this State where the primary purpose thereof is to provide for its shareholders or members housing in a retirement community as the same is defined under the provisions of the "Retirement Community Full Disclosure Act," P.L. 1969, c. 215.

24 Non Stock Residential Housing

Citation: N.J.S.A. 54:10A-3(g) (P.L. 1963. Ch 59)

Effective Date: 5/27/1963

Description: Nonstock corporations organized under the laws of this State or of any other state of the United States to provide mutual ownership housing under federal law by tenants, provided, however, that the exemption hereunder shall continue only so long as the corporations remain subject to rules and regulations of the Federal Housing Authority and the Commissioner of the Federal Housing Authority holds membership certificates in the corporations and the corporate property is encumbered by a mortgage deed or deed of trust insured under the National Housing Act as amended by subsequent Acts of Congress.

25 Redevelopment Authority Project Tax Credit

Citation: N.J.S.A. 55:19-3, (P.L. 1985, c. 227)

Effective Date: 7/26/1991

2012 Estimate: \$0

Description: Any person, firm or corporation actively engaged in the conduct of business at a location within a project, as defined in this act, which is subject to the provisions of the "Corporation Business Tax Act (1945)," P.L. 1945, c. 162 (C.54:10A-1 et seq.), and the business of which at that location consists primarily of manufacturing or other business that is not retail sales or warehousing oriented, shall, for a period of two years from the date upon which an agreement for the undertaking of the project was entered into pursuant to section 8 or 9 of this act, be entitled to an annual credit against the amount of tax imposed under that act of \$1,500.00 for each new employee employed at that location who is a resident of the qualified municipality and who immediately prior to such employment was unemployed at least 90 days or was dependent upon public assistance as the primary source of income. A credit for which an employer taxpayer qualifies under this section shall be allowed in the tax year next following the tax year of qualification, and may be continued into a second tax year if such qualification continues, but it shall be allowed only for those new employees who were employed for at least six consecutive months by the employer taxpayer in the year of qualification.

26 Remediation Tax Credit

Citation: N.J.S.A. 54:10A-5.33 (P.L. 2003, c. 296)

Effective Date: 1/14/2004

2012 Estimate: \$63,200

Description: A taxpayer shall be allowed a credit against the tax imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5), in an amount equal to 100% of the eligible costs of the remediation of a contaminated site as certified by the Department of Environmental Protection pursuant to section 2 of P.L.2003, c.296 (C.54:10A-5.34) and the Director of the Division of Taxation in the Department of the Treasury pursuant to section 3 of P.L.2003, c.296 (C.54:10A-5.35) performed during privilege periods beginning on or after January 1, 2004 and before January 1, 2007.

27 **Research and Development Tax Credit**

Citation: N.J.S.A. 54:10A-5.24

Effective Date: 1/1/1998

2012 Estimate: \$65,594,200

Description: 1. a. A taxpayer shall be allowed a credit, subject to the provisions of subsection b. of this section, against the tax imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5), in an amount equal to

(1) 10% of the excess of the qualified research expenses for the fiscal or calendar accounting year (referred to hereafter in this section as the "tax year") over the base amount; and

(2) 10% of the basic research payments determined in accordance with section 41 of the federal Internal Revenue Code of 1986, 26 U.S.C. s.41, as in effect on June 30, 1992, and provided that subsection (h) of 26 U.S.C. s.41 relating to termination shall not apply. Provided however, that the terms "qualified research expenses," "base amount," "qualified organization base amount period," "basic research" and any other terms determined by the Director of the Division of Taxation to affect the calculation of the credit shall include only expenditures for research conducted in this State.

b. No credit shall be allowed under section 42 of P.L.1987, c.102 (C.54:10A-5.3), or under the "Manufacturing Equipment and Employment Investment Tax Credit Act," P.L.1993, c.171 (C.54:10A-5.16 et al.), or under P.L.1993, c.170 (C.54:10A-5.4 et seq.), for property or expenditures for which a credit is allowed, or which are includable in the calculation of a credit allowed, under this section.

The tax imposed for a fiscal or calendar accounting year pursuant to section 5 of P.L.1945, c.162, shall first be reduced by the amount of any credit allowed pursuant to section 19 of P.L.1983, c.303 (C.52:27H-78), then by any credit allowed pursuant to section 12 of P.L.1985, c.227 (C.55:19-13), then by any credit allowed pursuant to section 42 of P.L.1987, c.102 (C.54:10A-5.3), then by any credit allowed under section 3 of P.L.1993, c.170 (C.54:10A-5.6), and then by any credit allowed under section 3 or 4 of P.L.1993, c.171 (C.54:10A-5.18 or C.54:10A-5.19), prior to applying any credits allowable pursuant to this section. Credits allowable pursuant to this section shall be applied in the order of the credits' tax years. The amount of the credits applied under this section against the tax imposed pursuant to section 5 of P.L.1945, c.162, for an accounting year shall not exceed 50% of the tax liability otherwise due and shall not reduce the tax liability to an amount less than the statutory minimum provided in subsection (e) of section 5 of P.L.1945, c.162. The amount of tax year credit otherwise allowable under this section which cannot be applied for the tax

year due to the limitations of this subsection may be carried over, if necessary, to the seven accounting years following a credit's tax year.

28 Sheltered Workshop Tax Credit

Citation: N.J.S.A 54:10A-5.38

Effective Date: 1/12/2006

2012 Estimate: \$0

Description: A taxpayer shall be allowed a credit against the tax imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5), in an amount equal to 20% of the salary and wages paid by the taxpayer during the privilege period for the employment of a qualified person, but not to exceed \$1,000 for each qualified person for the privilege period.

Qualified person" means an extended employee, within the meaning of that term as set forth in section 2 of P.L.1971, c.272 (C.34:16-40), to whom the Commissioner of Labor and Workforce Development, under subsection (b) of section 18 of P.L.1966, c.113 (C.34:11-56a17), shall have issued a special license authorizing employment at wages less than the minimum wage rate, and who, for at least 26 weeks during the privilege period, shall have performed at least 25 hours per week of work at or under the supervision of a sheltered workshop pursuant to a contract between the taxpayer and the sheltered workshop.

29 Single-Sales Fraction

Citation: Not in current law. A bill is on the Governor's desk to implement single sales fraction.

Effective Date:

Description: A single sales fraction methodology for calculation of taxable corporation business net income would ONLY rely on sales made rather than the current three-fraction method which employs sales, property and payroll located in this state.

30 Small New Jersey-Based High-Technology Business Investment Tax Credit

Citation: N.J.S.A. 54:10A-5.30 (P.L. 1997, c. 350)

Effective Date: 7/2/2002

Description: A taxpayer shall be allowed a credit against the tax imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5), in an amount equal to 10% of the qualified investment made by the taxpayer during each of the three tax years beginning on or after January 1 next following enactment of this act, in a small New Jersey-based high-technology business, up to a maximum allowed credit of \$500,000 for the tax year for each qualified investment made by the taxpayer. An unused credit may be carried forward for use in future years, subject to the \$500,000 per year limitation.

31 Business Income of Non Profits

Citation: N.J.S.A. 54:10A-3(e)

Effective Date: 7/2/2002

Description: Nonprofit corporations, associations or organizations established, organized or chartered, without capital stock, under the provisions of Title 15, 16 or 17 of the Revised Statutes, Title 15A of the New Jersey Statutes or under a special charter or under any similar general or special law of this or any other state, and not conducted for pecuniary profit of any private shareholders or individual.

32 Urban Enterprise Zone Employee Tax Credit

Citation: N.J.S.A. 52:27H-78a-b (P.L. 1983, c. 303)

Effective Date: 8/4/1988

2012 Estimate: \$0

Description: Any qualified business subject to the provisions of the "Corporation Business Tax Act (1945)," P.L. 1945, c. 162 (C. 54:10A-1 et seq.), as actively engaged in the conduct of business from a location within an enterprise zone designated pursuant to this act, which business at that location consists primarily of manufacturing or other business which is not retail sales or warehousing oriented, shall receive an enterprise zone employee tax credit against the amount of tax imposed under the "Corporation Business Tax Act (1945),"

33 Urban Enterprise Zone Investment Tax Credit

Citation: N.J.S.A. 52:27H-78c (P.L. 1988, c. 93)

Effective Date: 8/4/1988

2012 Estimate: \$0

Description: A qualified business which is not entitled to an employee tax credit under this section, but meets the eligibility criteria pursuant to the provisions of subsection c. of section 27 of P.L. 1983, c. 303 (C. 52:27H-86), shall receive a one-time credit in an amount equal to 8% of each new investment made by the qualified business in the enterprise zone under an agreement approved by the authority.

35 Urban Transit Hub Tax Credit

Citation: N.J.S.A. 34:1B-207-209 (P.L. 2007, c. 346)

Effective Date: 7/28/2009

2012 Estimate: \$3,000,000

Description: This tax credit is based on a capital investment made by a qualified business to a location defined as an Urban transit hub. An Urban Transit hub is property located within a 1/2 mile radius surrounding the mid point of a New Jersey Transit Corporation, Port Authority Transit Corporation or Port Authority Trans-Hudson Corporation rail station platform area, including all light rail stations, and property located within a one mile radius of the mid point of the platform area of such a rail station if the property is in a qualified municipality under the "Municipal Rehabilitation and Economic Recovery Act," P.L.2002, c.43 or a property located within a 1/2 mile radius surrounding the mid point of one of up to two underground light rail stations' platform areas that are most proximate to an interstate rail station or a property adjacent to, or connected by rail spur to a freight rail line, if the business utilizes that freight line for loading and unloading freight cars on trains per declaration made by the Economic Development Authority.

9-1-1 System and Emergency Response Assessment Overview

Description

P.L. 2004, C. 48, enacted June 29, 2004, for certain services, imposes a fee on periodic billings to mobile telecommunications and telephone exchange customers. This fee is charged by:

- Mobile telecommunications companies for each voice grade access service number as part of mobile telecommunications service provided to a customer billed by or for the customer's home service provider and provided to a customer with a place of primary use in this State; and
- Telephone exchange companies for each telephone voice grade access service line provided as part of that telephone exchange service.

The fee is not applicable to the Federal government, its agencies, or instrumentalities. On and after January 1, 2005, the law provides an exemption for State, county and municipal governments, and school districts from the fee imposed on telephone exchange services.

Rate

The 9-1-1 System and Emergency Response Fee is \$.90 for each voice grade access service number and line to mobile telecommunications and telephone exchange customers.

Disposition of Revenues

The revenue collected pursuant to the fee will serve to replace the current 9-1-1 infrastructure Statewide with a state-of-the-art enhanced 9-1-1 system. Revenue collected is also applied to pay for costs of funding the State's capital equipment, facilities, and operating expenses that arise from emergency preparedness, emergency response training, counter-terrorism measures, security at State facilities including transportation infrastructure, preparation for first responders to chemical or biohazard emergencies, and any expenses of the Office of Emergency Management in the Division of State Police in the Department of Law and Public Safety.

9-1-1 System and Emergency Response Assessment

1 Exempt Telephone Lines

Citation: N.J.S.A. 52:17C-17 et seq. (P.L. 2004, c.48)

Effective Date: 7/1/2004

2012 Estimate: \$1,000,000

Description: Exemptions include lines billed to customers enrolled in the Lifeline Telecommunication program, or in receipt of Lifeline Telecommunication or Universal Service Fund benefits, State government agencies, and county and municipal governments and their agencies, and school districts.

Alcoholic Beverage Tax Overview

Description

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

Rates

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

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

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

Disposition of Revenues

Revenues are deposited in the State Treasury for general State use, except that beginning on July 1, 1992, \$11 million of the tax revenue is deposited annually into the Alcohol Education, Rehabilitation and Enforcement Fund. A small percentage also goes to the New Jersey Wine Promotion Account.

1 Out-of-State Sales - Beer and Malt

Citation: N.J.S.A. 54:43-2 (P.L. 1938, c. 319, p. 800, 7; P.L. 1942, c. 171, p. 527, 5; P.L. 1968, c. 298, 2)

Effective Date: 7/1/2009

2012 Estimate: \$17,800,000

Description: No tax imposed by this subtitle shall be payable on any sale of alcoholic beverages by any State licensee for resale and consumption outside of this State, or directly for consumption outside of this State, when said sale is accompanied by the actual transportation of such beverages out of this State and by the delivery of such beverages in full compliance with the laws of the place or places of delivery; provided, evidence of such sales and deliveries satisfactory to the director is submitted.

2 Out-of-State Sales - Liquor

Citation: N.J.S.A. 54:43-2 (P.L. 1938, c. 319, p. 800, 7; P.L. 1942, c. 171, p. 527, 5; P.L. 1968, c. 298, 2)

Effective Date: 7/1/2009

2012 Estimate: \$57,700,000

Description: No tax imposed by this subtitle shall be payable on any sale of alcoholic beverages by any State licensee for resale and consumption outside of this State, or directly for consumption outside of this State, when said sale is accompanied by the actual transportation of such beverages out of this State and by the delivery of such beverages in full compliance with the laws of the place or places of delivery; provided, evidence of such sales and deliveries satisfactory to the director is submitted

3 Out-of-State Sales - Still Wine

Citation: N.J.S.A. 54:43-2 (P.L. 1938, c. 319, p. 800, 7; P.L. 1942, c. 171, p. 527, 5; P.L. 1968, c. 298, 2)

Effective Date: 1/4/1999

2012 Estimate: \$21,400,000

Description: No tax imposed by this subtitle shall be payable on any sale of alcoholic beverages by any State licensee for resale and consumption outside of this State, or directly for consumption outside of this State, when said sale is accompanied by the actual transportation of such beverages out of this State and by the delivery of such beverages in full compliance with the laws of the place or places of delivery; provided, evidence of such sales and deliveries satisfactory to the director is submitted.

4 Out-of State Sales - Vermouth/Sparkling Wine/Apple Cider

Citation: N.J.S.A. 54:43-2 (P.L. 1938, c. 319, p. 800, 7; P.L. 1942, c. 171, p. 527, 5; P.L. 1968, c. 298, 2)

Effective Date: 1/4/1999

2012 Estimate: \$900,000

Description: No tax imposed by this subtitle shall be payable on any sale of alcoholic beverages by any State licensee for resale and consumption outside of this State, or directly for consumption outside of this State, when said sale is accompanied by the actual transportation of such beverages out of this State and by the delivery of such beverages in full compliance with the laws of the place or places of delivery; provided, evidence of such sales and deliveries satisfactory to the director is submitted.

Cigarette Tax Overview

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

Effective July 1, 2009, the tax rate is \$2.70 per pack of 20 cigarettes. Formerly, the tax was \$2.575 per pack of 20 cigarettes.

A distributor is allowed a .00174757% 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. 1998, C. 264, the first \$150 million are deposited in the Health Care Subsidy Fund).

1 Director's redemption of certain stamps

Citation: N.J.S.A. 54:40A-19 (P.L. 1948, c. 65, p. 163, §409, Amended by L. 1957, c. 92, p. 179, 1)

Effective Date: 7/21/1957

2012 Estimate: \$1,400,000

Description: The director shall redeem any unused or mutilated, but identifiable, stamps that any distributor or dealer may present for redemption, and issue a refund of the face value.

2 Distributor discounts

Citation: N.J.S.A. 54:40A-11 (P.L. 1948, c. 65, p. 159, §401)

Effective Date: 10/31/2008

2012 Estimate: \$1,400,000

Description: On sales of revenue stamps the director shall allow, as compensation for the services and expenses of the distributor in affixing and handling of such stamps, a discount of 1.80% of the face amount of any sale of 1,000 stamps or more; provided, that the distributor has complied with all the provisions of this act; and, provided, further, however, that the director shall be empowered to adjust such discount to provide equivalent compensation with respect to the face value of each 1,000 stamps or more. No discount shall be allowed on any sale of less than 1,000 stamps and stamps shall not be sold in blocks of less than 100 stamps.

3 U.S. Constitution Federal laws

Citation: N.J.S.A. 54:40A-8 through N.J.S.A. 54:40A-10, N.J.A.C. 18:5-2.4

Effective Date: 12/7/2009

Description: No tax imposed by this act shall be levied upon cigarettes or the sale of cigarettes which this State is prohibited from taxing under the Constitution or the statutes of the United States or where an authorized agent of the United States Veterans Administration purchases cigarettes from donations for free distribution to and for consumption by hospitalized veterans housed in State institutions.

4 U.S. V.A. for free distribution to hospitalized veterans.

Citation: N.J.S.A. 54:40A-10 (P.L. 1948, c. 65, p. 159, §303, amended P.L. 1955, c. 18)

Effective Date: 5/16/1955

Description: Purchases of cigarettes to be donated to hospitalized veterans are exempt from the tax.

Domestic Security Fee Overview

Description

A statutory assessment designated as the “Domestic Security Fee” is imposed under P.L. 2002, C. 34, on motor vehicle rental companies for each day or part thereof that a motor vehicle is rented under rental agreements of not more than 28 days. This fee applies with respect to rental agreements in New Jersey entered into on or after August 1, 2002.

Rate

The fee is assessed at the rate of \$5 per day effective July 8, 2006, on all motor vehicle rental companies doing business in this State for each rental day a motor vehicle is rented under agreements of 28 days or less. The fee applies only to the first 28 days of a rental agreement with the same renter. Thus, the maximum rental fee in the aggregate is \$140 even if the actual rental extends beyond 28 days. Prior to July 8, 2006, the rate was \$2 per day.

Disposition of Revenues

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

Domestic Security Fee

1 Total Deductions

Citation: N.J.S.A. App. A:9-78 (P.L. 2002, C. 34)

Effective Date: 8/1/2002

2012 Estimate: \$1,000,000

Description: The law does not impose the Domestic Security Fee on motor vehicle rentals that are exempt for Sales and Use tax purposes, such as resale transactions and rentals to tax exempt organizations or government agencies.

Hotel/Motel Occupancy Fee and Municipal Occupancy Tax Overview

Description

P.L. 2003, C. 114, imposes a State Occupancy Fee and authorizes the imposition of a Municipal Occupancy Tax on charges for the rental of a room in a hotel, motel, or similar facility in most New Jersey municipalities.

Rate

The State Occupancy Fee rate is 7% for occupancies from August 1, 2003, through June 30, 2004, and 5% for occupancies on and after July 1, 2004, or at a lower rate in cities in which such occupancies are already subject to tax:

Atlantic City—1%

Newark and Jersey City—1%

The Wildwoods—3.15%

The majority of the municipalities that have enacted a municipal occupancy tax have authorized the tax rate to increase to 3% as of July 1, 2004; however, Cape May City (Cape May County), Glassboro Borough (Gloucester County), Berkeley Township (Ocean County), and Somers Point City (Atlantic County) impose the tax at the rate of 2%.

Disposition of Revenues

The monies collected from the State Occupancy Fee are deposited to the General Fund and are statutorily allocated, in varying percentages, to the New Jersey State Council on the Arts for cultural projects; the New Jersey Historical Commission; the New Jersey Commerce and Economic Growth Commission for tourism advertising and promotion; and the New Jersey Cultural Trust. Any amount over the dedication is allocated to the General Fund. Collections from the Municipal Occupancy Tax are distributed back to the municipality.

Hotel/Motel Occupancy Fee

1 Government Exemption

Citation: N.J.S.A. 54:32D-1b (P.L. 2003, c. 114)

Effective Date: 7/1/2003

2012 Estimate: \$52,900,000

Description: The law provides that the Hotel/Motel Occupancy Fee will not apply on occupancies that are exempt for Sales and Use Tax purposes, including occupancies for government use.

2 Permanent Resident Exemption

Citation: N.J.S.A. 54:32D-1b. (P.L. 2003, c. 114)

Effective Date: 7/1/2003

2012 Estimate: \$80,300,000

Description: The law provides that the Hotel/Motel Occupancy Fee will not apply on occupancies that are exempt under the Sales and Use Tax Act such as a hotel or motel occupancy where the purchaser resides at the lodging facility for at least 90 days.

3 Rooms for Assembly

Citation: N.J.S.A. 54:32D-1 (P.L. 2003, c. 114)

Effective Date: 7/1/2003

2012 Estimate: \$12,500,000

Description: The law provides that the Hotel/Motel Occupancy Fee is imposed on rooms used for occupancy. The fee is not imposed on rooms used for the purpose of assembly, such as conference, meeting or banquet rooms.

Local Property Tax Supported by State Government Overview

Senior citizen, disabled and blind persons local property tax deduction. N.J.S.A. 54:4-8.40 et seq.

This is a \$250 deduction from local property taxes for qualified senior citizens, disabled and blind persons, and surviving spouses/civil union partners.

The deduction is granted where:

(1) The senior citizen is 65 years or more and the annual income of the senior citizen and any spouse/civil union partner is not in excess of \$10,000.

(2) The disabled person is under 65 years and permanently and totally disabled and the annual income of that person and any spouse/civil union partner is not in excess of \$10,000.

(3) The blind person is under 65 years and permanently and totally disabled and the annual income of that person and any spouse/civil union partner is not in excess of \$10,000.

(4) The surviving spouse/surviving civil union partner has not remarried/entered into a new civil union partnership and was age 55 or more as of December 31 of the year prior to the tax year and at time of his/her spouse's/civil union partner's death.

\$250 PROPERTY TAX DEDUCTION FOR VETERANS OR SURVIVING SPOUSES N.J.S.A. 54:4-8.10 et seq.

\$250 may be deducted each year from taxes due on the real or personal property of qualified war veterans or their unmarried surviving spouses. In 1999, a constitutional amendment increased the deduction from \$50 to \$100 for 2000; \$150 for 2001; \$200 for 2002 and \$250 per year thereafter.

To qualify, the applicant must be an honorably discharged US Armed Forces war veteran or the unmarried surviving spouse of such a war veteran or the unmarried surviving spouse of a serviceperson who served in time of war and died while on active duty. The successful applicant must be a property owner and a legal resident of New Jersey and, where applicable, prove that the deceased veteran or serviceperson was a legal resident of New Jersey.

Claim Form V.S.S must be filed with the applicant's municipal tax assessor or collector.

Local Property Tax support by State Government

1 Senior Citizen Real Estate Tax Deduction

Citation: N.J.S.A. 54:4-8.40 et seq. (P.L. 1989, c.252)

Effective Date: 1/3/1990

2012 Estimate: \$17,500,000

Description: An annual \$250 deduction from real property taxes is provided for the dwelling of a qualified senior citizen, disabled person or their surviving spouse.

2 Veteran's Deduction

Citation: N.J.S.A. 54:4-8.11 (P.L.200, c,9, s.1)

Effective Date: 3/30/2000

2012 Estimate: \$65,400,000

Description: The law provides a \$250 real estate tax deduction for residents who served or currently serve Armed Forces of the United States during a time of war and who were honorably discharged. Surviving spouses are also eligible for this deduction.

Motor Fuels Tax Overview

Description

A tax on motor fuels is applied to gasoline, diesel fuel and liquefied petroleum 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 petroleum gas sold or used to propel motor vehicles on public highways.

The diesel fuel 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).

Tax exempt sales include sales to the United States or any agency or instrumentality thereof and to the State of New Jersey and its political subdivisions, departments and agencies. Sales of dyed fuel and sales for export are also exempt.

New Motor Fuels Law

Chapter 22, P.L. 2010, the Motor Fuels Tax Act, effective July 1, 2010, as amended, and operative beginning January 1, 2011, repeals prior Motor Fuels legislation in order to make sweeping changes in the licensing, reporting, and the imposition and collection of the Motor Fuels Taxes.

For purposes of comparison of tax expenditures, there are no taxes paid, nor exemptions to be claimed by any seller of motor fuels other than suppliers, distributors and certain retail dealers. Distributors, jobbers, importers and seller-users of special fuels previously collected the tax and were able to take exemptions through 12/31/10.

Disposition of Revenues

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

1 Certain special fuel sold in quantities of not more than 150 gallons

Citation: N.J.S.A. 54:39-64.3(b) (P.L. 1992, c.23, § 54.)

Effective Date: 7/1/2010

Description: Special fuel sold in quantities of not more than 150 gallons are not subject to tax.

2 Certain Exported Fuels

Citation: N.J.S.A. 54:39-28 (P.L. 1935, c. 319, § 312, p. 1021 - a special exporter license rules - N.J.A.C

Effective Date: 6/29/2010

Description: Fuels exported outside New Jersey are generally exempt from imposition of the tax, with certain limitations.

3 Fuel imported in fuel tanks

Citation: N.J.S.A. 54:39-43 (P.L. 1935, c. 319, § 606, p. 1026 Repealed by P.L. 2010, c. 22, § 56).

Effective Date: 6/29/2010

Description: Every person coming into this State in a motor vehicle may transport in the fuel tanks of such vehicle, for the propulsion thereof, not more than 150 gallons of fuel without paying the tax, securing the license or making any report herein provided.

4 Fuel used by Aircraft

Citation: N.J.S.A. 54:39-112a.(4) (Previously N.J.S.A. 54:39-66(e)) also N.J.S.A. 54:39-27(a); P.L. 1983,

Effective Date: 10/1/2010

2012 Estimate: \$139,000

Description: Fuel used by aircraft is exempt from the tax imposed by the "Motor Fuel Tax Act," P.L.2010, c.22 ([C.54:39-101](#) et seq.), and a refund of the tax imposed by subsection a. of section 3 of P.L.2010, c.22 ([C.54:39-103](#)) may be claimed by the consumer providing proof the tax has been paid and no refund has been previously issued.

5 Fuel used by Ambulances

Citation: N.J.S.A. 54:39-112a.(5) (Previously N.J.S.A. 54:39-66(f))

Effective Date: 10/1/2010

2012 Estimate: \$0

Description: Fuel used by ambulances is exempt from the tax imposed by the "Motor Fuel Tax Act," P.L.2010, c.22 ([C.54:39-101](#) et seq.), and a refund of the tax imposed by subsection a. of section 3 of P.L.2010, c.22 ([C.54:39-103](#)) may be claimed by the consumer providing proof the tax has been paid and no refund has been previously issued.

6 Fuel used by Certain Agricultural Tractors

Citation: N.J.S.A. 54:39-112a.(2) (Previously N.J.S.A. 54:39-66(c) P.L. 1935, c. 319, § 1202, p. 1035)

Effective Date: 10/1/2010

2012 Estimate: \$60,000

Description: Fuel used by agricultural tractors not operated on a public highway is exempt from the tax imposed by the "Motor Fuel Tax Act," P.L.2010, c.22 ([C.54:39-101](#) et seq.), and a refund of the tax imposed by subsection a. of section 3 of P.L.2010, c.22 ([C.54:39-103](#)) may be claimed by the consumer providing proof the tax has been paid and no refund has been previously issued.

7 Fuel used by Certain Auto Buses

Citation: N.J.S.A. 54:39-112a.(1) (Previously N.J.S.A. 54:39-66(b) P.L. 1935, c. 319, § 1202, p. 1035)

Effective Date: 10/1/2010

2012 Estimate: \$30,000

Description: Fuel used by autobuses while being operated over the highways of this State in those municipalities to which the operator has paid a monthly franchise tax for the use of the streets therein under the provisions of [R.S.48:16-25](#) and autobuses while being operated over the highways of this State in a regular route bus operation as defined in [R.S.48:4-1](#) and under operating authority conferred pursuant to [R.S.48:4-3](#), or while providing bus service under a contract with the New Jersey Transit Corporation or under a contract with a county for special or rural transportation bus service subject to the jurisdiction of the New Jersey Transit Corporation pursuant to P.L.1979, c.150 ([C.27:25-1](#) et seq.), and autobuses providing commuter bus service which receive or discharge passengers in New Jersey is exempt from the tax imposed by the "Motor Fuel Tax Act," P.L.2010, c.22 ([C.54:39-101](#) et seq.), and a refund of the tax imposed by subsection a. of section 3 of P.L.2010, c.22 ([C.54:39-103](#)) may be claimed by the consumer providing proof the tax has been paid and no refund has been previously issued.

8 Fuel used by Certain Highway Motor vehicles

Citation: N.J.S.A. 54:39-112a.(8) (Previously N.J.S.A. 54:39-66(i))

Effective Date: 10/1/2010

2012 Estimate: \$0

Description: Fuel used by highway motor vehicles that are operated exclusively on private property is exempt from the tax imposed by the "Motor Fuel Tax Act," P.L.2010, c.22 ([C.54:39-101](#) et seq.), and a refund of the tax imposed by subsection a. of section 3 of P.L.2010, c.22 ([C.54:39-103](#)) may be claimed by the consumer providing proof the tax has been paid and no refund has been previously issued.

9 Fuel used by Certain Stationary Machinery and Vehicles

Citation: N.J.S.A. 54:39-112a.(1) (Previously N.J.S.A. 54:39-66(o))

Effective Date: 10/1/2010

2012 Estimate: \$456,000

Description: Fuel used by stationary machinery and vehicles or implements not designed for the use of transporting persons or property on the public highways is exempt from the tax imposed by the "Motor Fuel Tax Act," P.L.2010, c.22 ([C.54:39-101](#) et seq.), and a refund of the tax imposed by subsection a. of section 3 of P.L.2010, c.22 ([C.54:39-103](#)) may be claimed by the consumer providing proof the tax has been paid and no refund has been previously issued.

10 Fuel used by Farm Machinery

Citation: N.J.S.A. 54:39-112a.(3) (Previously N.J.S.A. 54:39-66(d))

Effective Date: 10/1/2010

Description: Fuel used by farm machinery is exempt from the tax imposed by the "Motor Fuel Tax Act," P.L.2010, c.22 ([C.54:39-101](#) et seq.), and a refund of the tax imposed by subsection a. of section 3 of P.L.2010, c.22 ([C.54:39-103](#)) may be claimed by the consumer providing proof the tax has been paid and no refund has been previously issued.

11 Sales by one licensed distributor to another, with limitations

Citation: N.J.S.A. 54:39-27 (P.L. 1935, c. 319, § 311,p. 1020 Repealed by P.L. 2010, c. 22, § 56, amend

Effective Date: 10/1/2010

Description: Sales of fuel may be made by one licensed distributor, importer or gasoline jobber to another licensed distributor or gasoline jobber free of such tax.

12 Sales to diplomatic missions or diplomatic personnel under a program of the U.

Citation: N.J.S.A. 54:39-65 (P.L. 1935, c. 319, § 1201, p. 1034 Repealed by L. 2010, c. 22, § 56, amend

Effective Date: 10/1/2010

Description: The provisions of this chapter requiring the payment of taxes shall not apply to fuel sold to the diplomatic missions and diplomatic personnel.

13 Sales to New Jersey and its political subdivisions for their official use

Citation: N.J.S.A. 54:39-112b.(3) (Previously N.J.S.A. 54:39-65 (P.L. 1935, c.319, § 1201, p. 1034)

Effective Date: 10/1/2010

Description: Sales to New Jersey and its political subdivisions for their official use are exempt from the tax imposed by section 3 of P.L.2010, c.22 ([C.54:39-103](#)) on fuel, and a deduction or a refund may be claimed by the supplier, permissive supplier or licensed distributor.

14 Sales to the U.S. Government

Citation: N.J.S.A. 54:39-112b.(3) (Previously N.J.S.A. 54:39-65 (P.L. 1935, c. 319, § 1201)

Effective Date: 10/1/2010

Description: Sales to the U.S. Government for official use are exempt from the tax imposed by section 3 of P.L.2010, c.22 ([C.54:39-103](#)) on fuel, and a deduction or a refund may be claimed by the supplier, permissive supplier or licensed distributor.

15 Special fuel sold to diplomatic missions and diplomatic personnel, with limitati

Citation: N.J.S.A. 54:39-64.3(d) (P.L. 1992, c. 23, § 54. Repealed by P.L. 2010, c. 22, § 56, amended 20

Effective Date: 10/1/2010

Description: No Motor fuels tax is imposed upon fuel sold to diplomatic missions and diplomatic personnel under a program administered by the director and predicated upon the United States Department of State, Office of Foreign Missions' or successor office's national tax exemption program.

16 Special fuel sold to the State of New Jersey or its political subdivisions, with acc

Citation: N.J.S.A. 54:39-64.3(c) (P.L. 1992, c. 23, § 54. Repealed by P.L. 2010, c. 22, § 56, amended 20

Effective Date: 10/1/2010

Description: No Motor fuels tax is imposed upon any fuel used by, or sold or delivered to, the State of New Jersey or its political subdivisions when such sales and deliveries are supported by documentary evidence satisfactory to the division.

17 Special fuel sold to the U.S. government, with acceptable documentation

Citation: N.J.S.A. 54:39-64.3(a) (P.L.1992, c. 23, § 54. Repealed by P.L. 2010, c. 22, § 56, amended 20

Effective Date: 10/1/2010

Description: No Motor Fuels tax is imposed upon any fuel that is used by or sold and delivered to the United States government, when such sales and deliveries are supported by documentary evidence satisfactory to the division.

18 Total exempt government sales - Distributors

Citation: N.J.S.A. 54:39-112(c)3 (P.L. 2010, c.79)

Effective Date: 10/1/2010

2012 Estimate:

Description: Sales made to government entities are exempt under the current motor fuels law and were exempt under the previous statute.

19 Total exempt government sales - Importers

Citation: N.J.S.A. 54:39-65 (Repealed by P.L. 2010, c. 22, § 56, amended 2010, c. 79, § 29).

Effective Date: 10/1/2010

Description: Sales of motor fuels to government entities remain exempt under the new law, however taxes are levied at the distributor level only, so importers have no responsibilities.

20 Total exempt government sales - Jobbers

Citation: N.J.S.A. 54:39-65 (Repealed by P.L. 2010, c. 22, § 56, amended 2010, c. 79, § 29).

Effective Date: 10/1/2010

2012 Estimate:

Description: Sales of motor fuels to government entities remain exempt under the new law, however taxes are levied at the distributor level only, so jobbers have no responsibilities.

Motor Vehicle Tire Fee Overview

Description

P.L. 2004, C. 46, imposes a fee on the sale of new motor vehicle tires, including new tires sold as a component part of a motor vehicle, either sold or leased, that are subject to New Jersey sales tax. The tire fee is imposed per tire, including the spare tire sold as part of a motor vehicle. The tire fee also applies to sales of new tires in connection with a repair or maintenance service.

Rate

The motor vehicle tire fee is \$1.50 per tire.

Disposition of Revenues

The revenue collected from the Motor Vehicle Tire Fee is deposited in the Tire Management and Cleanup Fund established in the Department of Environmental Protection. Any additional revenue collected is available for appropriation to the Department of Transportation to support snow removal operations.

Motor Vehicle Tire Fee

1 Exempt Tires Sales times \$1.50 tire fee

Citation: N.J.S.A. 54:32F-1 et seq. (P.L. 2004, c.46)

Effective Date: 8/1/2004

2012 Estimate: \$6,000,000

Objective:

Description: The law exempts the Motor Vehicle Tire Fee on transactions where sales tax would be exempt. Examples could include new tire sales for resale, tires sold to exempt organization or government agency and vehicles purchased by non-residents where the vehicle will be registered in their state of residency.

Nursing Home Provider Assessment Overview

Description

The New Jersey "Nursing Home Quality of Care Improvement Fund Act" was signed into law on July 1, 2003 as P.L. 2003 c.105 and was subsequently amended on June 29, 2004, as P.L. 2004, c.41. The Acts establish an assessment on nursing homes, in accordance with federal regulations set forth at 42 C.F.R. 433.68, in order to provide additional funds for improving the quality of care by increasing Medicaid reimbursement for services delivered to those senior citizens and other persons residing in New Jersey nursing homes.

The Department of Health and Senior Services is responsible for the oversight, coordination and disbursement of fund monies. The New Jersey Division of Taxation is charged with the responsibility for collecting the quarterly assessments. The fund will receive revenues from quarterly assessments from nursing homes based upon payment of an assessment in accordance with 42 C.F.R. 433.68. This assessment shall be paid to the Division of Taxation, Department of the Treasury.

Nursing Home Assessment

1 Exempt days times rate

Citation: N.J.S.A. 26:2H-92 et seq. (P.L. 2003, c. 105, P.L. 2004, c. 41)

Effective Date: 7/1/2004

2012 Estimate: \$32,800,000

Description: The New Jersey Nursing Home Quality Care Act established a quarterly assessment on nursing homes in order to provide additional funds for improving the quality of care by increasing Medicaid reimbursement for services delivered to those senior citizens and other persons residing in New Jersey nursing homes.

The current rate is \$11.92 per non-Medicare day to applicable nursing homes. The annual assessment rate is calculated by the Department of Health and Senior Services, and may be up to a maximum of 6% of the aggregate amount of annual revenues received by applicable nursing homes.

Petroleum Products Gross Receipts Tax Overview

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.

Effective January 1, 2001, P.L. 2000, C. 156, phased out, over a three-year period, the Petroleum Products Gross Receipts Tax for fuel used by any utility, co-generation facility, or wholesale generation facility to generate electricity sold at wholesale or through certain retail channels.

Rate

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

Disposition of Revenues

Certain revenues are credited to a special account in the General Fund and dedicated to the Transportation Trust Fund under the New Jersey Constitution, Article 8, Section 2, paragraph 4.

Petroleum Products Gross Receipts Tax

2 Withdrawn for use outside New Jersey

Citation: N.J.S.A. 54:15B-3 (P.L. 1990, c. 42, § 3)

Effective Date: 6/30/2000

2012 Estimate: \$600,000

Description: Petroleum Gross Receipts Tax is only levied upon petroleum products for use or consumption by it within this State. Any such products withdrawn to be used outside New Jersey is exempt.

Realty Transfer Fee Overview

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 recited in the deed.

The Realty Transfer Fee does not apply to a deed: for a consideration of less than \$100; by or to the United States of America, this State, or any instrumentality, agency, or subdivision thereof; solely in order to provide or release security for a debt or obligation; which confirms or corrects a deed previously recorded; on a sale for delinquent taxes or assessments; on partition; by a receiver, trustee in bankruptcy or liquidation, or assignee for the benefit of creditors; eligible to be recorded as an "ancient deed" pursuant to R.S. 46:16-7; acknowledged or proved on or before July 3, 1968; between husband and wife, or parent and child; conveying a cemetery lot or plot; in specific performance of a final judgment; releasing a right of reversion; previously recorded in another county and full Realty Transfer Fee paid or accounted for, as evidenced by written instrument, attested by the grantee, and acknowledged by the county recording officer; by an executor or administrator of a decedent to a devisee or heir to effect distribution of the decedent's estate in accordance with the provisions of the decedent's will or the intestate laws of this State; recorded within 90 days following the entry of a divorce decree which dissolves the marriage between grantor and grantee; issued by a cooperative corporation, as part of a conversion of all of the assets of the cooperative corporation into a condominium, to a shareholder upon the surrender by the shareholder of all of the shareholder's stock in the cooperative corporation and the proprietary lease entitling the shareholder to exclusive occupancy of a portion of the property owned by the corporation.

Chapter 103, P.L. 2007, the Civil Union Act, became effective on February 19, 2007. This law grants civil union couples the same benefits, protections, and responsibilities under law as are granted to spouses in marriage. The law required amendatory language pertaining to partial and total exemptions from the Realty Transfer Fee to be included on the Affidavit forms (RTF-1 and RTF-1EE) and other Property Administration forms.

Rate

In accordance with Chapter 66, Laws of 2004, as amended by Chapter 19, Laws of 2005, the level or rate of the Realty Transfer Fee is as follows:

Standard Transactions and New Construction

Total Consideration not Over \$350,000

Consideration Over	but not over	Rate/\$500
\$0	\$150,000	\$2.00
150,000	200,000	3.35
200,000	350,000	3.90

Total Consideration Over \$350,000

Consideration Over	but not over	Rate/\$500
\$0	\$150,000	\$2.90
150,000	200,000	4.25
200,000	550,000	4.80
550,000	850,000	5.30
850,000	1,000,000	5.80
1,000,000	*	6.05

Senior Citizens or Blind or Disabled Persons; Low and Moderate Income Housing

Total Consideration not Over \$350,000

Consideration Over	but not over	Rate/\$500
\$0	\$150,000	\$0.50
150,000	350,000	1.25

Total Consideration Over \$350,000

Consideration Over	but not over	Rate/\$500
\$0	\$150,000	\$1.40
150,000	550,000	2.15
550,000	850,000	2.65
850,000	1,000,000	3.15
1,000,000	*	3.40

Additional fee where consideration is over \$1 million

Effective February 1, 2005, a 1% fee is imposed upon grantees (buyers) on property transfers for consideration in excess of \$1 million for property class 2 "residential"; class 3A "farm property (regular)" if effectively transferred with other property to the same grantee; and cooperative units, which are class 4C. The 1% fee is imposed on the entire amount of such consideration recited in the deed. The 1% fee is not imposed upon organizations determined by the Federal Internal Revenue Service to be exempt from Federal income taxation that are the buyers in deeds for a consideration in excess of \$1 million.

Chapter 33, P.L. 2006, effective on August 1, 2006, provides that:

- A fee of 1% is imposed on Class 4A "commercial properties" for an entire consideration in excess of \$1 million as well as the classes already incurring the 1% fee.

- The 1% fee does not apply if real property transfer is incidental to a corporate merger or acquisition and the equalized assessed value of the real property transferred is less than 20% of the total value of all assets exchanged in the merger or acquisition.
- Buyers (grantees) in deeds involving Class 4A sales recorded on or before November 15, 2006, that were transferred pursuant to a contract fully executed before July 1, 2006, who remit the 1% fee shall have it refunded by filing a Claim for Refund with the Division within one year following the recording date of the deed.
- Affidavit of Consideration for Use by Seller (Form RTF-1) is required for all Class 4 property deed recordings.
- A fee of 1% is imposed on nondeed transfers of a controlling interest in an entity which possesses, directly or indirectly, a controlling interest in classified real property, payable to the Director, by the purchaser of the controlling interest.

Disposition of Revenues

The Realty Transfer Fees per \$500 of consideration will be allocated according to the type of transaction as follows: Priority Fund and the State Extraordinary Aid Account. In Fiscal Year 2007, the Extraordinary Aid Account received \$105,903,326.

1 Exempt Sales Exceeding \$1 million where the grantee pays

Citation: N.J.S.A. 46:15-7.4 (P.L. 2006, c.33)

Effective Date: 8/1/2006

2012 Estimate: \$11,300,000

Description: The 1% fee shall not apply to a deed if a real property transfer is incidental to a corporate merger or acquisition and the equalized assessed value of the real property transferred is less than 20% of the total value of all assets exchanged in the merger or acquisition. A grantee claiming an exemption from the 1% fee in such instances, when the deed is offered for recording, is now required to file a merger document in addition to an Affidavit of Consideration for Use by Buyer.

2 Partial Realty Transfer Fee Exemption (sales prices known)

Citation: N.J.S.A. 46:15-10.1 (P.L.2004, c.66, s.6)

Effective Date: 6/30/2004

2012 Estimate: \$15,600,000

Description: Under the partial Realty Transfer Fee exemption, the state portion of the fee is not charged on sale of a one- or two-family residential premises owned and occupied by a senior citizen, blind person or disabled seller or the sale of low and moderate income housing. Transfers of title to real property upon which there is new construction shall be 80% exempt from payment based on the first \$150,000 of consideration.

3 Total Realty Transfer Fee exemption for sales price less than \$100 (sales price k

Citation: N.J.S.A. 46:15-10(a) (P.L. 1968, c. 49, § 6; amended 1974, c. 184, § 4; 1979, c. 293; 1985, c. 1

Effective Date: 1/14/2000

2012 Estimate: \$200,000,000

Description: The law does not impose a realty transfer fee to a deed where the consideration, as defined in section 1(c) of the law, is less than \$100.00.

4 Total Realty Transfer Fee exemption where such sales price would have exceed

Citation: N.J.S.A.46:15-10 (P.L. 1968, c. 49, § 6; amended 1974, c. 184, § 4; 1979, c. 293; 1985, c. 17; 1

Effective Date: 1/14/2000

2012 Estimate: \$16,100,000

Description: Statutory exemptions to the Realty Transfer Fee include: sales by or to the United States of America, this State, or any instrumentality, agency, or subdivision thereof; sales made solely in order to provide or release security for a debt or obligation; a transaction which confirms or corrects a deed previously recorded; on a sale for delinquent taxes or assessments; on partition; by a receiver, trustee in bankruptcy or liquidation, or assignee for the benefit of creditors; deeds eligible to be recorded as an "ancient deed" pursuant to R.S. 46:16-7; sales acknowledged or proved on or before July 3, 1968; sales between husband and wife, or parent and child; sales conveying a cemetery lot or plot; in specific performance of a final judgment; releasing a right of reversion; previously recorded in another county and full Realty Transfer Fee paid; sales by an executor or administrator of a decedent to a devisee or heir to effect distribution of the decedent's estate in accordance with the provisions of the decedent's will or the intestate laws of this State; sales recorded within 90 days following the entry of a divorce decree which dissolves the marriage between grantor and grantee; q) issued by a cooperative corporation, as part of a conversion of all of the assets of the cooperative corporation into a condominium, to a shareholder upon the surrender by the shareholder of all of the shareholder's stock in the cooperative corporation and the proprietary lease entitling the shareholder to exclusive occupancy of a portion of the property owned by the corporation.

Transfer Inheritance and Estate Taxes Overview

Description

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

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

Rate

The Transfer Inheritance Tax rates depend on the amount received and the relationship between the decedent and the beneficiary. No tax is imposed on class A beneficiaries (father, mother, grandparents, descendants, spouses, civil union partners, or domestic partners). Class C beneficiaries (brother or sister of decedent; husband, wife, or widow(er) of a child of decedent; civil union partner or surviving civil union partner of a child of decedent) are taxed at 11%–16%, with the first \$25,000 exempt. Class D beneficiaries (not otherwise classified) are taxed at 15%–16%, with no tax on transfers having an aggregate value of less than \$500. Charitable institutions are exempt from tax.

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

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

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

The New Jersey Estate Tax exclusion was frozen at the 2001 level for decedents dying in 2002 and thereafter. The Estate Tax is an amount equal to the Federal credit for inheritance, estate,

succession, and legacy taxes allowable under provisions of the Internal Revenue Code in effect on December 31, 2001. A reduction is permitted for that portion of the credit which is attributable to property located outside New Jersey plus any Inheritance Tax paid to New Jersey.

Exemptions From Transfer Inheritance Tax

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

Disposition of Revenues

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

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.

In July 2002, legislation (C. 31, P.L. 2002) was enacted changing the manner in which Estate Tax is computed for the estates of decedents dying after December 31, 2001. Under the changes made to the Federal estate tax law, New Jersey's Estate Tax would have been phased out over a three-year

period.

P.L. 2003, C. 246, the Domestic Partnership Act, recognized domestic partnerships and provided certain rights and benefits to individuals participating in them. The Act made significant changes to the New Jersey Inheritance Tax for individuals dying on or after July 10, 2004. Transfers made to a surviving domestic partner were made exempt from the Inheritance Tax.

P.L. 2004, C. 132, enacted August 31, 2004, and effective on the 180th day following enactment, makes important changes in the way estates and trusts must be administered. This change would indirectly affect both Inheritance and Estate Tax.

P.L. 2005, C. 331, provides a surviving domestic partner with the same intestacy rights as a surviving spouse. Additionally, a surviving domestic partner now has the right to take an elective share in a deceased partner's estate, be appointed administrator of the estate, and make funeral arrangements.

P.L. 2006, C. 103, provides a civil union partner with the same rights as a spouse. Surviving civil union partners are exempt from the Inheritance Tax and are entitled to the same New Jersey Estate Tax marital deduction as a surviving spouse.

Transfer Inheritance and Estate Taxes

1 Increasing Class A beneficiary to highest rate – filed returns

Citation: N.J.S.A. 54:33-1 et seq.

Effective Date: 7/1/2002

2012 Estimate: \$600,000,000

Description: Transfers to a spouse or domestic partner are totally exempt where the decedent dies on or after January 1, 1985. Domestic partners dying on or after 7/10/2004 and civil union partners dying after 2/19/2007 also afforded the same treatment.

2 Increasing Class C beneficiary taxes to highest rate

Citation: N.J.S.A. 54:34-3a.(2)

Effective Date: 7/1/2002

2012 Estimate: \$44,000,000

Description: For decedent who die on or after July 1, 1988 certain transfers of \$25,000 or less are exempt, for civil union partners the same rules apply for those dying after 2/19/2007.

Appendix I

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

Gross Income Tax

Deduction/Exemption

- | | | |
|----|--|---|
| 12 | Deductions for Medical Savings Account Contributions | N.J.S.A. 54A:3-4 (P.L. 1997, c.414) |
| 24 | Gambling Losses | N.J.S.A. 54A:5-1(g) (P.L. 1976, c.47; amend 1977, c.40, 1977, c.273, 1981, c.423, 1983, 1987, c.76, 1987, c.310, 1990, c.79, 1993, c.1997, c.414, 1998, c.57) |

Exclusion

- | | | |
|----|---|---|
| 2 | Cafeteria Plan, Qualified Option | N.J.S.A. 54A:6-24 (P.L. 1995, c.111) |
| 3 | Capital Gain Exclusion on Sale of Principal Residence | N.J.S.A. 54A:6-9.1 (P.L. 1998, c. 3) |
| 4 | Cash or Assistance from a Charitable Organization | N.J.S.A. 54A:6-5, N.J.S.A. 54A:6-22 |
| 5 | Certain Exclusions from Military Pay | N.J.S.A. 54A:6-7 (P.L. 1976, c. 47) |
| 6 | Charitable Trust or Pension/Profit Sharing Plan Trust | N.J.S.A. 54A:2-1 (P.L. 1976, c.47) |
| 7 | Child Support | N.J.S.A. 54A:5-1(n) (P.L. 1976, c. 47) |
| 8 | Commuter Transportation Benefits | N.J.S.A.54A:6-23 (P.L. 1993, c.108; amend 1996, c.121; 2001, c.162) |
| 10 | Damages for Personal Injury or Illness | N.J.S.A. 54A:6-6 (P.L. 1976, c. 47) |
| 16 | Education IRA or State Tuition Plan Earnings | N.J.S.A. 54A:6-25 (P.L. 1997, c. 237; amend P.L. 1999, c.46, c.116, P.L. 2001, c.262) |
| 17 | Employee 401(k) Contributions | N.J.S.A. 54A:6-21 (P.L. 1983, c. 571) |
| 18 | Employee's Death Benefits | N.J.S.A. 54A:6-4 (P.L. 1976, c. 47) |
| 19 | Employer 401(k) Contributions | N.J.S.A. 54A:6-21 (P.L. 1983, c. 571) |
| 20 | Employer Contributions to Retirement Plans | |
| 23 | Family Leave Benefits | N.J.S.A. 54A:6-31 (P.L. 2008, c.17) |
| 25 | Gifts and Inheritances | N.J.S.A. 54A:6-5 (P.L. 1976, c. 47) |
| 28 | Holocaust Reparations and Restitution | N.J.S.A. 54A:6-29 (P.L. 1998, c.113) |
| 29 | Homeless Persons' Assistance Programs | N.J.S.A. 54A:6-22 (P.L. 1988, c.29; amend 2008, c.127) |
| 30 | Life Insurance Payments | N.J.S.A. 54A:6-4 (P.L. 1976, c. 47) |

31	Loan Redemption	N.J.S.A. 54A:6-25.1 (P.L. 2005, c.157)
32	Lottery Winnings under \$10,000	N.J.S.A. 54A:6-11 (P.L. 1976, c. 47; amende 2009, c.69)
34	Medical Savings Account Contributions	N.J.S.A. 54A:6-27 (P.L. 1997, c.414)
35	Military Pension and Survivor's Benefit Payments	N.J.S.A. 54A:6-26 (P.L. 1997, c.409; amend 2001, c.84)
39	Permanent Disability Exclusion	N.J.S.A. 54A:6-10 (P.L. 1976, c. 47)
44	Railroad Retirement Exclusion	N.J.S.A. 54A:6-3 (P.L. 1976, c. 47)
45	Roth IRA Distributions	N.J.S.A. 54A:6-28 (P.L. 1998, c.57)
46	Scholarships and Fellowship Grants	N.J.S.A. 54A:6-8 (P. L. 1976, c. 47)
50	Temporary Disability Exclusion	N.J.S.A. 54A:6-6 (P.L. 1976, c. 47)
52	Victims of September 11, 2001 Terrorist Attacks	(N.J.S.A. 54A:6-30) P.L. 2003, c.9
53	Welfare Assistance Payments	N.J.S.A. 54A:6-13
54	Worker's Compensation Exclusion	N.J.S.A. 54A:6-6 (P.L. 1976, c. 47)

Sales and Use Tax

Exclusion

1	Admission to Athletic Games: Elementary or Secondary Schools	N.J.S.A. 54:32B-9(f)(2)(A) (P.L.1997, c.162,
2	Admissions Charges from an Exempt Organization	N.J.S.A. 54:32B-9(f) (P.L. 1997, c.162)
8	Capital Improvements to Real Property	N.J.S.A. 54:32B-3(b)(4)
12	Certain Casino Parking Charges Authority and a casino operator	N.J.S.A. 54:32B-3(i)
15	Certain Direct Mail Advertising and Processing Services advertising material to out-of-State recipients	N.J.S.A. 54:32B-3(b)(5)
21	Certain Garbage Removal and Sewer Services	N.J.S.A. 54:32B-3(b)(4)
23	Certain Partnership Distributions	N.J.S.A. 54:32B-(2)(e)(4)(D)
42	Distribution of Certain Corporate Property	N.J.S.A. 54:32B-(2)(e)(4)(c)
46	Employer Provided Parking	N.J.S.A. 54:32B-3(i)
60	Food and Drink for Airline Passengers	N.J.S.A. 54:32B-3
62	Food Purchased with Food Stamps	N.J.S.A. 54:32B-2(oo)(2)(D)
63	Food Sold by a Manufacturer	N.J.S.A. 54:32B-3(c)(3)(ii)(A)
64	Food sold in an Unheated State	N.J.S.A. 54:32B-3(c)(3)(ii)(B)
65	Food that is Cut, Repacked or Pasteurized by the Seller	N.J.S.A. 54:32B-3(c)(3)(i)(B)

66	Garment Services	N.J.S.A. 54:32B-3(b)(2)(iii)
72	Inconsequential Tangible Personal Property	N.J.S.A. 54:32B-2(e)(4)(A)
73	Initiation Fees and Membership Dues: Exempt Entity Operated	N.J.S.A. 54:32B-3(h)(2)
74	Initiation Fees and Membership Dues: Youth Membership	N.J.S.A.54:32B-3(h)(1)
76	Interest, Financing, and Carrying Charges	N.J.S.A. 54:32B-2(oo)(2)(B)
78	Laundry and Dry Cleaning Services for Clothing	N.J.S.A. 54:32B-3(b)(2)(iii)
79	Limousine Services - Funerals	N.J.S.A.54:32B-3(b)(13)
85	Milk Sales by Coin-Operated Vending Machine	N.J.S.A. 54:32B-3(c)(2)
88	Municipal Parking Charges	N.J.S.A. 54:32B-3(i)
90	Non-Reimbursed Discounts	N.J.S.A. 54:32B-2(oo)(2)(A)
91	Hotel Occupancy by a Permanent Resident • Services to exempt medical equipment	N.J.S.A. 54:32B-2(m)
92	Other Taxes Imposed on the Consumer	N.J.S.A. 54:32B-2(oo)(2)(c)
95	Parking Charges Subject to Other Taxes	N.J.S.A. 54:32B-3(i)
96	Parking Charges Subject to the Atlantic City Parking Fee	N.J.S.A. 54:32B-3(i)
98	Prepared Food Delivered to Homebound	N.J.S.A. 54:32B-3(c)(1)
101	Private Services to a Homeowner	N.J.S.A. 54:32B-3(b)(2)(i)
103	Property Contributed towards Partnership Interest	N.J.S.A. 54:32B-2(e)(4)(F)
109	Purchases for Resale	N.J.S.A. 54:32B-2(e)(1)
110	Radio and Television Programming Services service	N.J.S.A. 54:32B-2(cc)(13)
114	Residential Parking	N.J.S.A. 54:32B-3(i)
119	Sales of Property held for Security	N.J.S.A. 54:32B-2(e)(4)(G)
121	Services Performed as an Employee	N.J.S.A. 54:32B-3
122	Services Rendered by Certain Individuals	N.J.S.A. 54:32B-3(b)(2)(v)
123	Services to Exempt Medical Equipment	N.J.S.A. 54:32B-3(b)(2)
124	Services to Residential Home Heating Systems	N.J.S.A. 54:32B-3(b)(4)
125	Shoe Repairs	N.J.S.A. 54:32B-3(b)(2)(iv)
127	Storage of Property Held for Sale	N.J.S.A. 54:32B-3
131	Transfer of Property for Corporate Stock	N.J.S.A. 54:32B-2(e)(4)(E)

132	Transfer of Property to a Corporation	N.J.S.A. 54:32B-(2)(e)(4)(B)
Exemption		
4	American and New Jersey State Flags	N.J.S.A. 54:32B-8.26 (P.L. 1980, c.105)
6	Barges	N.J.S.A. 54:32B-8.12 (P.L. 1988, c.53)
7	Building Materials and Supplies Purchased for an Exempt Organization	N.J.S.A.54:32B-8.22 (P.L. 1980, c. 105, amended 1983, c. 303, § 31; P.L. 1988, c. 83, § 1; P.L. c. 93, § 5; P.L. 2006, c. 34, § 2)
9	Cargo Containers	N.J.S.A. 54:32B-8.12 (P.L. 1980, c. 105, § 2; amended P.L. 1981, c. 218, § 1; P.L. 1988, c. 273; P.L. 1999, c. 273)
10	Casual Sales	N.J.S.A. 54:32B-8.6 (P.L. 1980, c. 105, § 18; amended P.L. 1983, c. 400, § 7; P.L. 1989, c. 400, § 4; P.L. 2005, c. 126, § 10.)
11	Certain Broadcast Equipment	N.J.S.A. 54:32B-8.13(e)
13	Certain Chemicals and Catalysts	N.J.S.A. 54:32B-8.20
14	Certain Commercial Trucks and Truck Repairs	N.J.S.A. 54:32B-8.43
16	Certain Electricity	N.J.S.A. 54:32B-8.46 (P.L. 1997, c. 162, § 2; amended Jan. 1, 1998; amended 1998, c. 114, § 4)
17	Certain Equipment for use at a Marine Terminal Facility	N.J.S.A. 54:32B-8.12
18	Certain Equipment sold to a Regulated Service Provider	N.J.S.A. 54:32B-8.13(c)
19	Certain Farmer Purchases	N.J.S.A. 54:32B-8.16
20	Certain Ferryboats	N.J.S.A. 54:32B-8.12
24	Certain Purchases made by a Cogeneration Facility	N.J.S.A. 54:32B-8.13(d)
25	Certain Recycling Equipment	N.J.S.A. 54:32B-8.36
26	Certain Services related to Exempt Vessels	N.J.S.A. 54:32B-8.12
27	Certain Sewing Materials	N.J.S.A. 54:32B-8.4
28	Certain Utility Equipment Purchases	N.J.S.A. 54:32B-8.13(b)
29	Charitable Organizations Exemption	N.J.S.A. 54:32B-9(b)
31	Coin-Operated Telephone Service	N.J.S.A. 54:32B-8.58 (P.L. 2008, c. 123, § 16)
32	Coin-Operated Vending Machine Sales under \$.25	N.J.S.A. 54:32B-8.9
33	Commercial Fishing Boats and Boat Repairs	N.J.S.A. 54:32B-8.12
34	Commercial Fishing Vessels	N.J.S.A. 54:32B-8.12
35	Commercial Trucks used for Interstate Travel	N.J.S.A.54:32B-8.43

36	Concession Stand Sales: State-Owned Veterans Facilities	N.J.S.A. 54:32B-8.54
38	Diabetic Supplies	N.J.S.A. 54:32B-8.1
39	Dietary Supplements	N.J.S.A. 54:32B-8.2
40	Diplomats, Consulates and Foreign Embassies	N.J.S.A. 54:32B-9(a)(3)
43	Durable Medical Equipment	N.J.S.A. 54:32B-8.1 (P.L. 1980, c. 105, § 13; amended 1982, c. 227, § 5; 1987, c. 383, § 2005, c. 126, § 7; 2008, c. 123, § 6).
45	Electronically Delivered Software for Business Use	N.J.S.A. 54:32B-8.56 (P.L. 2005, c. 126, § 1; amended 2006, c. 44, § 12; 2008, c. 123, § 1)
47	Energy and Utility Service	N.J.S.A. 54:32B-8.47 (P.L. 1997, c. 162, § 3; amended 2007, c. 94, § 1)
48	Equipment for Printing and Publishing	N.J.S.A. 54:32B-8.29 (P.L. 1980, c. 105, 41. Amended by L. 1985, c. 440, 1)
49	Equipment used on Boats or Ships	N.J.S.A. 54:32B-8.12 (PL. 1980, c. 105, § 24 amended 1981, c. 218, § 1; 1988, c. 53; 19 273).
50	Exempt Organizations: State of New Jersey and its Agencies	N.J.S.A. 54:32B-9(a)(1)
51	Exempt Organizations: Parent-Teachers Associations	N.J.S.A. 54:32B-9(b) (P.L. 1997, c.162)
52	Exempt Organizations: United Nations	N.J.S.A. 54:32B-9(a)(3)
54	Exemption for Certain Vessels	N.J.S.A. 54:32B-8.12 (P.L. 1980, c. 105, § 2; amended 1981, c. 218, § 1; 1988, c. 53; 19 273)
55	Exemption for Volunteer Fire and Similar Emergency Companies	N.J.S.A. 54:32B-9(b)
56	Farm Vehicles and Vehicle Repairs	N.J.S.A. 54:32B-8.43
57	Films, Records and Tapes used in Radio and Television	N.J.S.A. 54:32B-8.18
58	Firearm Safety Locks	N.J.S.A. 54:32B-8.50
59	Firearm Storage Vaults	N.J.S.A. 54:32B-8.51
67	Gas, Water, Steam and Fuel in containers and bulk	N.J.S.A. 54:32B-8.7
68	Gold and Silver	N.J.S.A. 54:32B-8.32
69	Government-owned Ships and Other Vessels	N.J.S.A. 54:32B-8.12
70	Human Blood and its Derivatives	N.J.S.A. 54:32B-8.1
71	Imprinting Services	N.J.S.A. 54:32B-8.48

80	Limousines and Limousine Repairs	N.J.S.A. 54:32B-8.52
81	Locomotives, Railroad Cars and other railroad rolling stock	N.J.S.A. 54:32B-8.27
82	Magazines and Periodicals	N.J.S.A. 54:32B-8.5
83	Medical Oxygen	N.J.S.A. 54:32B-8.1
84	Membership Periodicals	N.J.S.A. 54:32B-8.5
86	Mobility Enhancing Equipment	N.J.S.A. 54:32B-8.1
87	Motor, Airplane and Railroad Fuels	N.J.S.A. 54:32B-8.8
89	Newspapers	N.J.S.A. 54:32B-8.5
93	Out-of-State Sales	N.J.S.A. 54:32B-8.10
100	Printed Advertising Material Delivered Out-of-State	N.J.S.A. 54:32B-8.39
102	Production Machinery	N.J.S.A. 54:32B-8.13(a)
104	Property purchased for Film or Video Productions	N.J.S.A. 54:32B-8.49
105	Property used in Research and Development or laboratory sense	N.J.S.A. 54:32B-8.14
106	Prosthetic Devices	N.J.S.A. 54:32B-8.1
107	Protective Work Equipment	N.J.S.A. 54:32B-8.4
108	Public Passenger Buses	N.J.S.A. 54:32B-8.28 (P.L. 1991, c.497)
111	Rental of Tangible Personal Property to Related Parties	N.J.S.A. 54:32B-8.53
112	Repairs to Certain Aircraft	N.J.S.A. 54:32B-8.35(b)
115	Sale-Leaseback Transactions	N.J.S.A. 54:32B-8.57
116	Salem County Reduced Sales Tax	N.J.S.A. 54:32B-8.45
117	Sales by a Mortician, Undertaker or Funeral Director	N.J.S.A. 54:32B-8.17
118	Sales of Certain Aircraft	N.J.S.A. 54:32B-8.35(a)
126	Solar Energy Devices and System Components	N.J.S.A. 54:32B-8.33
128	Tampons or like products	N.J.S.A. 54:32B-8.1
129	Tax Exempt Organizations: National Guard and War Veteran Posts	N.J.S.A. 54:32B-9(b)(4)
130	Tax Exemption for Certain Vessels equipment necessary for harvesting fish, shellfish and other crustaceans and aquatic organisms	N.J.S.A. 54:32B-8.12 (P.L. 1980, c. 105, § 24; amended 1981, c. 218, § 1; 1988, c. 53; 1997, c. 273)
133	Transportation Charges Exemption	N.J.S.A. 54:32B-8.11 (P.L. 1980, c. 105, § 24; amended 1997, c. 162, § 22; 2006, c. 44, § 2)

- 135 Wrapping Supplies N.J.S.A. 54:32B-8.15
- 136 Zero Emission Vehicles N.J.S.A. 54:32B-8.55 (P.L. 2003, c. 266, § 1:

Corporation Business Tax

Credit

- 9 Digital Media Production Credit N.J.S.A. 54:10A-5.39
- 30 Small New Jersey-Based High-Technology Business Investment Tax Credit (Schedule A-3) N.J.S.A. 54:10A-5.30 (P.L. 1997, c. 350)

Exclusion

- 29 Single-Sales Fraction Not in current law. A bill is on the Governor's desk to implement single sales fraction.

Exemption

- 3 Agricultural Co Operatives N.J.S.A. 54:10A-3(c) (P.L. 1960, Ch 174)
- 8 Cemetery Corporations not conducted for profit N.J.S.A. 54:10A-3(d)
- 22 Non Profit Corporations N.J.S.A. 54:10A-3(e) (P.L. 1945, c. 162)
- 23 Non Profit Retirement Communities N.J.S.A. 54:10A-3(h) (P.L. 1973, c. 275)
- 24 Non Stock Residential Housing N.J.S.A. 54:10A-3(g) (P.L. 1963, Ch 59)
- 31 Business Income of Non Profits N.J.S.A. 54:10A-3(e)

Cigarette Tax

Exemption

- 3 U.S. Constitution Federal laws N.J.S.A. 54:40A-8 through N.J.S.A. 54:40A-N.J.A.C. 18:5-2.4
- 4 U.S. V.A. for free distribution to hospitalized veterans. N.J.S.A. 54:40A-10 (P.L. 1948, c. 65, p. 159, amended P.L. 1955, c. 18)

Motor Fuels Tax

Exemption

- 1 Certain special fuel sold in quantities of not more than 150 gallons N.J.S.A. 54:39-64.3(b) (P.L. 1992, c.23, § 54)
- 2 Certain Exported Fuels N.J.S.A. 54:39-28 (P.L. 1935, c. 319, § 312, 1021 - a special exporter license rules - N.J. 18:18-9.1)
- 3 Fuel imported in fuel tanks N.J.S.A. 54:39-43 (P.L. 1935, c. 319, § 606, 1026 Repealed by P.L. 2010, c. 22, § 56).
- 10 Fuel used by Farm Machinery N.J.S.A. 54:39-112a.(3) (Previously N.J.S.A. 54:39-66(d))

- | | | |
|----|---|---|
| 11 | Sales by one licensed distributor to another, with limitations | N.J.S.A. 54:39-27 (P.L. 1935, c. 319, § 311, Repealed by P.L. 2010, c. 22, § 56, amended 2010, c. 79, § 29). |
| 12 | Sales to diplomatic missions or diplomatic personnel under a program of the U.S. Department of State | N.J.S.A. 54:39-65 (P.L. 1935, c. 319, § 1201 1034 Repealed by L. 2010, c. 22, § 56, amended 2010, c. 79, § 29). |
| 13 | Sales to New Jersey and its political subdivisions for their official use | N.J.S.A. 54:39-112b.(3) (Previously N.J.S.A. 54:39-65 (P.L. 1935, c.319, § 1201, p. 1034 |
| 14 | Sales to the U.S. Government | N.J.S.A. 54:39-112b.(3) (Previously N.J.S.A. 54:39-65 (P.L. 1935, c. 319, § 1201) |
| 15 | Special fuel sold to diplomatic missions and diplomatic personnel, with limitations | N.J.S.A. 54:39-64.3(d) (P.L. 1992, c. 23, § 5. Repealed by P.L. 2010, c. 22, § 56, amended 2010, c. 79, § 29). |
| 16 | Special fuel sold to the State of New Jersey or its political subdivisions, with acceptable documentation | N.J.S.A. 54:39-64.3(c) (P.L. 1992, c. 23, § 5. Repealed by P.L. 2010, c. 22, § 56, amended 2010, c. 79, § 29). |
| 17 | Special fuel sold to the U.S. government, with acceptable documentation | N.J.S.A. 54:39-64.3(a) (P.L.1992, c. 23, § 5.4 Repealed by P.L. 2010, c. 22, § 56, amended 2010, c. 79, § 29). |