



State of New Jersey

DEPARTMENT OF THE TREASURY
DIVISION OF TAXATION
P.O. Box 240
TRENTON, NEW JERSEY 08695-0240

PHILIP D. MURPHY
Governor

ELIZABETH MAHER MUOIO
State Treasurer

SHEILA Y. OLIVER
Lt. Governor

JOHN J. FICARA
Acting Director

Notice:

New Limitations on Urban Enterprise Zone (UEZ) Exemption Certificates

Beginning January 1, 2022, under new State law, purchases made using your UZ-5 and UZ-4 Sales and Use Tax exemption certificates are subject to certain limitations.

UZ-5 Urban Enterprise Zone Exempt-Purchase Certificate

The UZ-5 exemption certificate may still be used by your business to make tax-free purchases of tangible personal property and services, except for motor vehicles, telecommunications, and utilities. However, only the first \$100,000 of annual taxable purchases that you make for your UEZ business location are exempt from Sales and Use Tax. Once you make \$100,000 of annual taxable purchases, you must cease using the UZ-5 and pay Sales Tax on your business's purchases for the remainder of the calendar year. If you are over the exempt purchase limitation and a supplier does not charge the required Sales Tax on a taxable transaction, you must remit Use Tax for that purchase. Supermarkets and grocery stores located in a food desert community (to be designated by the NJ Economic Development Authority) are not subject to the \$100,000 exempt purchase limitation.

UZ-4 Contractor's Exempt-Purchase Certificate

As a qualified business, you may give your UZ-4 exemption certificate to building contractors. A contractor may use the UZ-4 to purchase construction materials, supplies, and services without paying Sales Tax when used exclusively to improve, alter, or repair a qualified business UEZ location. Under the new law, only the first \$100,000 in annual taxable purchases of construction materials, supplies, and services made by all contractors hired to work on your property are exempt from Sales and Use Tax. Once contractors make \$100,000 of cumulative annual taxable purchases, your business may no longer give the UZ-4 to contractors or subcontractors for the remainder of that calendar year. At that point, you should advise your contractors that already have a copy of your UZ-4 that they and their subcontractors may no longer use it to make exempt purchases for the remainder of that calendar year.

The law allows for an exception. There is no limitation on the amount of taxable purchases of construction materials, supplies, and services made by a contractor that is erecting new structures or "substantially improving, altering, or repairing" the property of a qualified business. "Substantially improving, altering, or repairing a property" is defined as a project with a total cost that equals or exceeds 50 percent of the market value of the structure before the improvement.

Record Keeping and Reporting Tax-Exempt Purchases

The Division of Taxation will audit UEZ businesses to ensure that the UZ-5 and UZ-4 exemption certificates are being used properly. Businesses that issue exemption certificates or rely on certificates issued beyond the annual exempt purchase limitations **will be liable** for the Sales and Use taxes that should have been paid, plus penalties and interest. You should keep detailed records of your tax-exempt purchases and those made by your contractors. These records will be required during an audit. Also, your business must accurately list all purchases in which UZ-5 and UZ-4 exemption certificates were utilized as part of the Annual Reports filed with the Department of Community Affairs/UEZ Authority.

For more information on the UEZ program, visit:

www.state.nj.us/treasury/taxation/businesses/salestax/uez-over.shtml