State of New Jersey

Fiscal Year

2021

TAX EXPENDITURE REPORT

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Building a Stronger and Fairer New Jersey Together

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Introduction

A State tax expenditure report must be included in the Governor's Annual Budget Message, pursuant to P.L. 2009, Chapter 189. This is the eleventh Annual Tax Expenditure Report.

There are certain features within the tax system whose functions are equivalent to direct expenditures. Rather than placing a line item cost in the State budget to compensate certain taxpayers for performing a specific public service, the State provides other incentives that reduce the recipients' taxable revenue. Ultimately, this action achieves the same goal of remunerating individuals. When the State disburses resources from revenue already collected, it is referred to as a *direct expenditure.* When revenue collected is reduced, the practice is termed a tax *expenditure.* Certain tax code provisions represent direct expenditures. Other provisions aid in the efficient collection of revenue. The compilers of this report have made every effort to highlight those provisions that represent actual tax expenditures.

This report lists and examines how the absence of certain features of the New Jersey tax system reduce the final tax liability. Examples of such tax features include, but are not limited to, tax law definitions, deductions, exclusions, exemptions, deferrals, credits, preferential tax rates or other special tax provisions.

P.L. 2009, Chapter 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 2019, FY 2020 and FY 2021. The tax expenditure numbers for FY 2020 are estimated based on the first six months of actual data from FY 2020.

In addition to the estimates of the value of the tax expenditures, the law requires this report to 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 included in this report are organized by categories in a comprehensive table, and explained in greater detail throughout the sections that follow.

For the purposes of this report, the Division of Taxation considers “tax expenditures” to be only those explicitly provided under State law, whether through enabling statutes or subsequent amendments modifying the original statute. Those statutory provisions mainly allow for four categories of preferential tax treatment: exemptions, exclusions, deductions, and credits. This year's report continues the practice of including certain business assistance programs that award funds to qualifying recipient taxpayers based on taxes paid. These four categories are defined below:

Exemptions are categories of goods, or certain uses thereof, or services that the law bars from subjectivity to taxation. These expenditures often are 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 and need not be reported on the State Income Tax return.

Exclusions are similar in nature to exemptions**,** but may apply to only a portion of that otherwise-taxed 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 by a specified dollar amount, percentage amount or specific category of recipient. Deductions are provided for any number of reasons, including the avoidance of double taxation on items that 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, exclusions 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.

Direct Property Tax Relief involves direct payments from governmental entities to taxpayers who have completed the appropriate forms.

What is New in This Edition?

The Tax Expenditure Report is formatted to highlight the costs of various tax incentives and tax-related benefits provided by the State of New Jersey.

This report contains estimates for the previous, current, and next fiscal year. In some cases, estimates will differ from the corresponding figures in a prior report. The data has been revised to reflect the most up-to-date figures or because of improved techniques for estimating the expenditures.

This edition includes updates in the following tax expenditures:

Gross Income Tax:

The $3,000.00 (tax years 2017 and 2018) Gross Income Tax personal exemption for New Jersey Veteran taxpayers doubled to $6,000 beginning with tax year 2019.

The estimating methodology for the New Jersey Earned Income Tax Credit (EITC) has been updated to reflect the value of credits granted in each fiscal year, rather than the value of total claims filed. This change is reflected in the current report's EITC estimates.

Corporation Business Tax:

The availability period for Corporation Business Tax credits for certain expenses incurred for production of certain film and digital media content was extended by five years; the annual cap on tax credits related to film production was increased by $25,000,000; and unredeemed and unused film production credits from prior years can now be carried forward to subsequent years.

Local Property Tax:

The Veterans Property Tax exemption has been extended to include all veterans who are 100 percent service disabled; and the $250 veterans property tax deduction for New Jersey veterans who were honorably discharged, or released under honorable circumstances, has been extended to those who did not serve in a time of war.

Summary of Identifiable State Tax Expenditures
($millions)

Gross Income Tax

		Fiscal Year		
		2019	**2020**	**2021**
Exclusion				
3	Angel Investor Tax Credit Act	25.0	25.0	25.0
62	Child and Dependent Care Tax Credit	11.5	11.7	11.9
13	Credit for Taxes Paid to Other Jurisdiction(s)	3,849.9	4,104.8	4,317.2
23	Employer 401(k) Contributions	211.0	215.7	221.1
30	Gross Income under $20,000	58.0	53.0	50.1
40	New Jersey Earned Income Tax Credit Payments	440.4	468.6	484.4
46	Property Tax Credit	30.5	31.2	30.3
53	Sheltered Workshop Tax Credit	39.5	41.7	43.7
Deduction/Exemption				
2	Alimony and Separate Maintenance Payments	53.3	55.2	57.5
15	Deductions for Medical Savings Account Contributions	3.9	N/A	N/A
16	Deductions from Business Income	775.7	821.0	854.2
17	Deductions from Rents, Royalties, Patents and Copyrights	430.1	455.9	483.2
19	Dependents Attending College	10.7	10.8	11.2
31	Health Enterprise Zone Deduction	0.5	0.5	0.6
37	Medical Expenses	427.9	437.5	477.8
45	Personal Exemptions and Deductions	1,011.6	1,129.7	1,096.8
47	Property Tax Deduction	674.7	696.0	730.6
48	Qualified Conservation Contribution	0.4	0.4	0.4
52	Self-Employed Health Insurance Costs	41.6	44.0	46.6

Summary of Identifiable State Tax Expenditures
($millions)

		Fiscal Year 2019	2020	2021
Exclusion				
7	Capital Gain Exclusion on Sale of Principal Residence	292.8	313.2	335.7
11	Child Support	189.5	197.2	202.2
21	Employee 401(k) Contributions	211.0	215.7	221.1
24	Employer Contributions to Retirement Plans	211.0	215.7	221.1
25	Exempt Interest (Federal) Exclusion	22.8	19.9	21.2
26	Exempt Interest (State) Exclusion	6.2	6.2	6.3
29	Gifts and Inheritances	199.1	222.8	225.1
36	Lottery Winnings under $10,000	2.2	N/A	N/A
42	Other Retirement Income Exclusion and Special Exclusion	19.8	24.3	25.7
43	Pension Exclusion	268.8	243.8	255.9
44	Permanent Disability Exclusion	17.0	16.9	16.7
49	Railroad Retirement Exclusion	8.5	8.5	8.7
54	Social Security Income Exclusion	1,091.4	1,130.6	1,165.7
56	Temporary Disability Exclusion	10.9	11.3	11.4
57	Unemployment Insurance Exclusion	62.3	50.8	47.5
59	Welfare Assistance Payments	80.6	83.0	81.9
60	Worker's Compensation Exclusion	8.2	8.5	8.6
Exemption				
1	Age 65 years or older exemption	43.3	44.6	46.3
4	Blind/Disabled exemption	2.5	2.5	2.6
18	Dependent child exemption	143.4	147.4	151.4
41	Other dependent exemptions	10.1	10.3	10.8
55	Taxpayer and Spouse/CU Partner	206.1	210.5	218.1
61	Veteran Personal Exemption	14.9	27.8	28.4

Summary of Identifiable State Tax Expenditures
($millions)

			Fiscal Year	
		2019	**2020**	**2021**
Sales and Use Tax				
Exclusion				
4	Bakery Items	14.7	15.1	15.5
25	Credit for Certain Property When Used as a Trade-in	226.8	231.6	236.5
33	Eggs, Fish, Meat and Poultry	192.7	200.1	207.7
54	Food Purchased with Food Stamps	60.9	55.3	50.2
58	Garbage Removal and Sewer Services (as defined in N.J.S.A. 54:32B-3(b)(4))	43.3	40.6	38.0
70	Internet Access Service	437.8	467.0	498.2
71	Laundry and Dry Cleaning Services for Clothing	32.6	32.8	33.1
78	Massage Therapy Services (as defined in N.J.S.A. 54:32B-3(b)(9))	7.2	7.3	7.4
84	Municipal Parking Charges	10.1	10.5	10.8
91	Participatory Sporting Activities	123.2	130.5	138.2
104	Purchases for Resale	4,855.4	5,012.5	5,174.7
109	Resale of Taxable Services	310.8	331.6	353.8
Exemption				
3	Advertising To Be Published in a Newspaper	14.0	12.4	11.1
7	Broadcast Equipment (as defined in N.J.S.A. 54:32B-8.13(e))	5.9	5.9	5.9
14	Charitable Organizations Exemption	91.9	99.3	107.1
16	Clothing and Footwear	875.4	885.6	895.9
27	Dietary Supplements	79.1	83.2	87.4
30	Disposable Household Paper Products	85.5	87.8	90.0

Summary of Identifiable State Tax Expenditures
($millions)

		Fiscal Year 2019	2020	2021
34	Electricity sales, exchanges and delivery (as defined in N.J.S.A. 54:32B-8.46)	12.6	13.1	13.6
40	Exempt Organizations: State of New Jersey and its Agencies	393.6	392.8	392.0
43	Exempt Organizations: United States of America	302.7	328.4	337.4
46	Feminine Hygiene Products	6.2	6.4	6.5
50	Firearm Storage Vaults	6.5	6.5	6.5
53	Food and Food Ingredients	1,078.9	1,118.4	1,159.7
83	Motor, Airplane and Railroad Fuels	868.2	849.0	835.5
88	Over-the-Counter Drugs	72.0	75.9	80.1
94	Prescribed Drugs and Medications	877.1	894.2	911.5
99	Property Purchased for Film or Video Productions	4.3	4.5	4.6
101	Prosthetic Devices	51.7	55.0	58.6
106	Recycling Equipment purchases (as defined in N.J.S.A. 54:32B-8.36)	7.7	8.1	8.7
113	Salem County Reduced Sales Tax	4.3	4.3	4.3
117	School Textbooks	6.0	5.7	5.4
121	Sewing Materials	7.4	7.6	7.7
123	Solar Energy Devices and System Components	21.8	21.3	20.9
131	Urban Enterprise Zone Exempt Business Purchases	146.0	153.8	162.0
137	Zero Emission Vehicles	9.6	10.3	11.1
Other				
132	Urban Enterprise Zone Special Sales Tax Rate	148.2	150.2	152.2

Corporation Business Tax

Credit

	The Economic Redevelopment and Growth Program (ERG)	34.4	69.4	63.9
	Grow New Jersey Assistance Program	119.0	298.4	328.1
5	AMA Tax Credit	36.6	10.4	2.3

Summary of Identifiable State Tax Expenditures
($millions)

		Fiscal Year 2019	2020	2021
6	Business Employment Incentive Program (BEIP)	50.8	268.5	177.8
8	Business Retention and Relocation Tax Credit	9.2	10.4	6.8
9	Business Retention and Relocation Assistance Grants	9.2	10.4	6.8
13	Economic Recovery Tax Credit	0.0	0.0	0.0
14	Effluent Equipment Tax Credit	0.0	0.0	0.0
16	Film Production Tax Credit	0.0	19.1	85.0
17	HMO Assistance Fund Tax Credit	889.0	1,190.0	1,635.0
19	Manufacturing Equipment and Employment Investment Tax Credit	11.9	11.9	12.9
20	Neighborhood Revitalization State Tax Credit	3.5	2.7	2.2
22	New Jersey Economic Opportunity Act of 2013	345.7	N/A	N/A
23	New Jobs Investment Tax Credit	5.6	7.5	8.6
27	Redevelopment Authority Project Tax Credit	0.0	0.0	0.0
28	Remediation Tax Credit	0.0	0.0	0.0
29	Research and Development Tax Credit	148.1	158.6	191.1
30	Sheltered Workshop Tax Credit	0.0	0.0	0.0
31	Urban Enterprise Zone Employee Tax Credit	0.0	0.0	0.0
32	Urban Enterprise Zone Investment Tax Credit	0.0	0.0	0.0
33	Urban Transit Hub Tax Credit	36.0	121.3	107.8
Deduction				
4	All Income of New Jersey S Corporations	2,000.0	2,013.6	2,000.0
15	Exceptions to Related Intangible Costs Expense Add Back	120.0	N/A	
18	Lack of Throw Back		N/A	N/A
21	Net Operating Loss Deduction		N/A	N/A
Exclusion				
1	60% of Investment Company Income	71.5	N/A	N/A

Summary of Identifiable State Tax Expenditures
($millions)

		Fiscal Year 2019	2020	2021
2	96% of Real Estate Investment Trust/Regulated Investment	6.9	N/A	N/A
11	Dividend Exclusion (50-80% owned)	230.0	N/A	N/A
12	Dividend Exclusion (greater than 80% owned)	2,861.0	N/A	N/A
	Exemption			
3	Agricultural Co-operatives	0.0	N/A	N/A
	9-1-1 System and Emergency Response Assessment			
	Exemption			
1	Exempt Telephone Lines	0.3	0.1	0.1
	Alcoholic Beverage Tax			
	Exemption			
1	Out-of-State Sales - Beer and Malt	14.8	14.8	14.8
2	Out-of-State Sales - Liquor	6.5	6.5	6.5
3	Out-of-State Sales - Still Wine	21.1	21.1	21.1
4	Out-of-State Sales - Vermouth/Sparking Wine/Apple Cider	2.6	2.6	2.6
	Cigarette Tax			
	Credit			
1	Director's Redemption of Certain Stamps	0.6	0.6	N/A
2	Distributor Discounts	1.2	1.3	1.3
	Domestic Security Fee			
	Credit			
1	Total Deductions	1.0	1.0	1.0
	Hotel/Motel Occupancy Fee			
	Credit			
1	Government Exemption	41.6	41.6	41.6
	Deduction/Exemption			
1	Permanent Resident Exemption	98.6	98.6	98.6

Summary of Identifiable State Tax Expenditures
($millions)

		Fiscal Year 2019	2020	2021
Exclusion				
3	Rooms for Assembly	12.7	12.7	N/A
Local Property Tax Support by State Government				
Deduction				
1	Senior Citizen Real Estate Tax Deduction	10.6	10.9	11.2
2	Veteran's Deduction	65.5	57.8	57.4
Direct Property Relief				
3	Property Tax Reimbursement	204.7	N/A	N/A
4	Homestead Benefit	299.2	299.2	299.2
Motor Fuels Tax				
Exclusion				
1	Fuel Used by Ambulances	0.1	0.1	0.1
Exemption				
1	Exported Fuels (as required by N.J.S.A. 54:39-112)	0.0	0.0	0.0
2	Fuel Used by Aircraft	2.4	0.0	0.0
4	Fuel Used by Certain Agricultural Tractors and Farm Machinery	0.0	0.0	0.0
5	Fuel Used by Certain Autobuses	0.7	0.8	0.8
6	Fuel Used by Non-Highway Equipment	1.1	0.9	0.9
7	Off Road Use of On Road Vehicles	1.1	0.9	0.9
8	Total Exempt Government Sales	2.9	3.1	3.1
Motor Vehicle Tire Fee				
Exemption				
1	Exempt Tires Sales Times $1.50 Tire Fee	3.7	3.6	3.6
Nursing Home Assessment				
Exemption				
1	Exempt DaysTimes Rate	12.4	12.4	12.4

Summary of Identifiable State Tax Expenditures
($millions)

		Fiscal Year 2019	2020	2021
Petroleum Products Gross Receipts Tax				
Exemption				
1	Withdrawn for Use Outside New Jersey	16.8	16.8	16.8
Realty Transfer Fee				
Deduction/Exemption				
1	Exempt Sales Exceeding $1 million Where the Grantee Pays	61.3	52.4	52.4
Exemption				
2	Partial Realty Transfer Fee Exemption (Sales Price Known)	24.9	25.0	25.0
3	Total Realty Transfer Fee Exemption for Sales Price Less than $100 (Sales Price Known)	199.3	199.3	199.3
4	Total Realty Transfer Fee Exemption Where Such Sales Price Would Have Exceeded $100 (Sales Price Known)	16.4	27.6	27.6

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 million, and 10.75% for income in excess of $1 million. These rates expired after that year. As of January 1, 2018, income of more than $5 million is taxed at 10.75%, regardless of the taxpayer's filing status. Beginning no later than September 1, 2018, employers must withhold Gross Income Tax at the rate of 15.6% from salaries, wages, and other remuneration paid.

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
- Veterans honorably discharged,$3,000; in addition to the $1,000 personal exemption

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 will 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
- Child and Dependent Care 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.

Recent History

P.L. 2016, Chapter 57 increases the Gross Income Tax pension and other retirement income exclusions for qualified taxpayers over a four-year phase-in period. When fully phased in for Tax Year 2020, the exclusions will be $100,000 for married/civil union couples filing jointly, $75,000 for individuals, and $50,000 for married/civil union partners filing separately. This law also establishes a personal exemption of $3,000 for veterans who were honorably discharged or released under honorable circumstances from active duty in the Armed Forces of the United States, a reserve component thereof, or the National Guard of New Jersey in a federal active duty status, as defined in N.J.S.A. 38A:1-1. This exemption is in addition to the $1,000 personal exemption that each taxpayer is entitled to, and any other additional exemption for which the veteran is eligible. In addition, this law increases the New Jersey Earned Income Tax Credit (NJ EITC) from 30% to 35%, of the allowable federal credit.

P.L. 2017, Chapter 24 provides for voluntary contributions by taxpayers on Gross Income Tax returns or an enclosed contribution may be deposited in “Autism Programs Fund” to support the Autism Medical Research and Treatment Fund that provides the support of service oriented autism programs throughout the State.

P.L. 2017, Chapter 203, for taxable years beginning on or after January 1, 2018, allows each taxpayer the opportunity to indicate on the taxpayer’s New Jersey Gross Income Tax return that a portion of the taxpayer’s Gross Income Tax refund or an enclosed contribution be deposited in the “New Jersey World War II Veterans' Memorial Fund.”

P.L. 2017, Chapter 197 establishes a special fund in the Department of the Treasury to be known as the "Jersey Fresh Program Fund." For taxable years beginning on or after January 1, 2018 each taxpayer will have the opportunity to indicate on the taxpayer's New Jersey Gross Income Tax

return that a portion of the taxpayer's Gross Income Tax refund or an enclosed contribution be deposited in the “Jersey Fresh Program Fund.”

P.L. 2017, Chapter 190 establishes a special fund in the Department of the Treasury to be known as the "New Jersey Memorials to War Veterans Maintenance Fund." For taxable years beginning on or after January 1, 2018 each taxpayer will have the opportunity to indicate on the taxpayer's New Jersey Gross Income Tax return that aportion of the taxpayer's Gross Income Tax refund or an enclosed contribution be deposited in the “New Jersey Memorials to War Veterans Maintenance Fund.”

P.L. 2017, Chapter 174 establishes the Gold Star Family Counseling program in the Department of Military and Veterans Affairs (DMAVA). Under this legislation, a taxpayer who is a mental health care professional will be allowed a credit against the tax otherwise due for the taxable year under the New Jersey Gross Income Tax Act in an amount equal to the amount documented annually by the Department of Military and Veterans Affairs for the Gold Star Family Counseling Program. DMAVA will limit the cumulative hours which are authorized for the annual tax credit to a minimum of 20 hours and a maximum of 40 hours per year, per professional. The amount of the credit applied against the New Jersey Gross Income Tax cannot reduce a taxpayer’s New Jersey Gross Income Tax liability to an amount less than zero.

P.L. 2017, Chapter 158 establishes a special fund in the Department of the Treasury to be known as the “Boy Scouts of America Councils Fund." For taxable years beginning on or after January 1, 2018 each taxpayer will have the opportunity to indicate on the taxpayer's New Jersey Gross Income Tax return that a portion of the taxpayer's Gross Income Tax refund or an enclosed contribution be deposited in the “Boy Scouts of America Councils Fund.” Annually the Legislature will evenly appropriate all moneys deposited into the designated funds of chartered local councils of the Boy Scouts of America in New Jersey to support programs and services. The Monmouth Council of the Boy Scouts of America will administer the distribution amongst the charted local councils.

P.L. 2017, Chapter 159 authorizes the Unclaimed Property Administrator to treat an unclaimed property payment as a refund of tax for the limited purpose of satisfying debts, if any, through the Setoff of Individual Liability (SOIL) program.

P.L. 2017, Chapter 67, known as the “Wounded Warrior Caregivers Relief Act,” provides a refundable income tax credit to a qualified family caregiver of a qualified armed service member. For purposes of the Act, a qualified armed service member is an individual who has a physical disability arising out of service in the active US military or naval service in any war or conflict after September 11, 2001.

P.L. 2017, Chapter 40 permits holding companies of eligible New Jersey emerging technology companies to receive investments under the "New Jersey Angel Investor Tax Credit Act." A New Jersey emerging technology business holding company means any corporation, association, firm,

partnership, trust, or other form of business organization, but not a natural person, which directly or indirectly, owns, has the power or right to control, or has the power to vote, a controlling share of the outstanding voting securities of a corporation or other form of a New Jersey emerging technology business. This legislation also permits shareholders of the S corporation to apply the Angel Investor Tax Credit, proportionately, against their individual tax liability otherwise due under the "New Jersey Gross Income Tax Act."

P.L. 2018, Chapter 45 increases the Earned Income Tax Credit and creates the New Jersey Child and Dependent Care Tax Credit and the Carried Interest Surtax.

The Earned Income Tax Credit : Qualified taxpayers were eligible for a New Jersey Earned Income Tax Credit equal to 35% of their federal Earned Income Credit. This law increased the percentage to 37% for the taxable year beginning on or after January 1, 2018, but before January 1, 2019. In the taxable year beginning on or after January 1, 2019, but before January 1, 2020, the percentage will increase to 39%. The credit increases to 40% for taxable years beginning on or after January 1, 2020.

Child and Dependent Care Expenses: Eligible resident taxpayers with New Jersey taxable income of $60,000 or less who receive the federal Child and Dependent Care Credit will be granted a Gross Income Tax credit. The credit is nonrefundable, meaning it will offset the tax due but cannot reduce the tax below $0. The New Jersey credit is a percentage of the federal credit that the taxpayer receives for the taxable year and is based on their New Jersey taxable income:

NJ taxable income :	*Amount of NJ credit*:
Not over $20, 0000	50% of federal credit
Over $20, 000 but not over $30,000	40% of federal credit
Over $30,000 but not over $40,000	30% of federal credit
Over $40,000 but not over $50, 000	20% of federal credit
Over $ 50, 000 but not over $60,000	10 % of federal credit

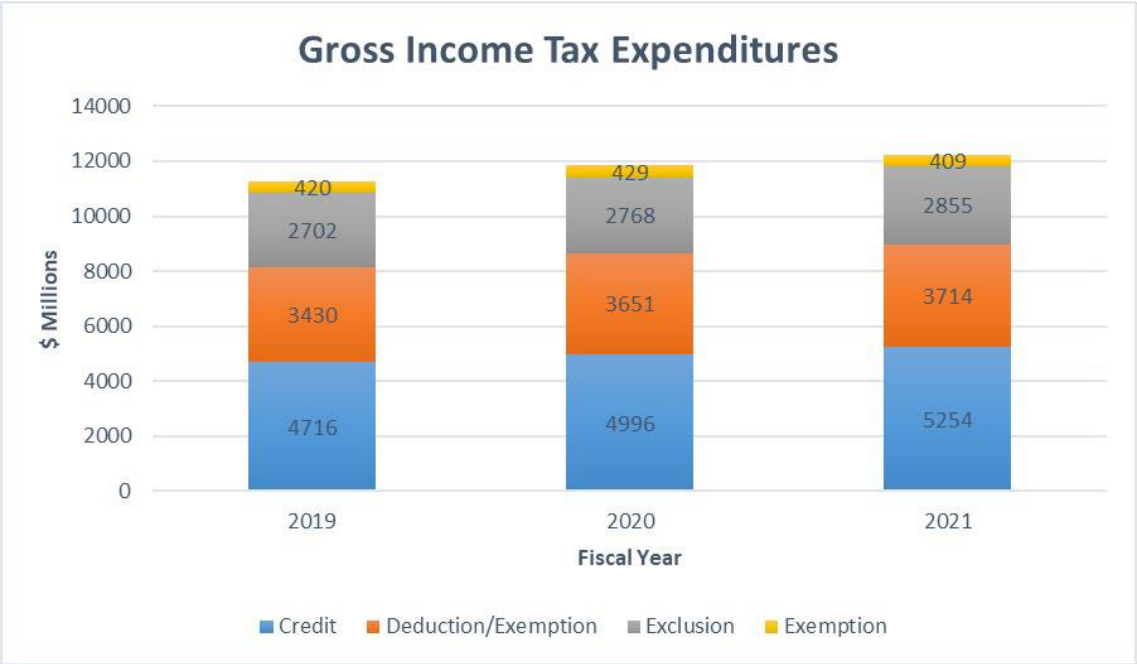
Income Tax Rate Increase:
As of January 1, 2018, income of more than $5 million is taxed at 10.75%, regardless of the taxpayer's filing status. Beginning as soon as possible, but no later than September 1, 2018, employers must withhold Gross Income Tax at the rate of 15.6% from salaries, wages, and other remuneration paid for services rendered in excess of $5 million during the taxable year. This higher withholding rate allows taxpayers affected by the rate increase to "catch up" on their withholdings for the year since the new tax rate is retroactive to January 1.
The Division of Taxation won't impose interest or penalties for insufficient payment of estimated tax and/or withholdings that may otherwise be due before September 1, 2018, if the insufficiency is a result of the new tax rate.

Carried Interest Surtax:
In addition to the above, the law also provides for the taxation of certain investment management services. The provisions of this portion of the law will take effect after the states of Connecticut, New York, and Massachusetts enact related legislation.

P.L. 2018, Chapter 56 , effective immediately, provides Corporation Business Tax and Gross Income Tax credits for certain expenses incurred during production of certain films and digital media content.

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 Age 65 Years or Older Exemption

Citation: N.J.S.A. 54A:3-1

Effective Date: 7/6/1976 **2021 Estimate:** $46,300,000
Applied Date: 7/1/1976

Description: An exemption is allowable for the taxpayer 65 years of age or over at the close of the taxable year in the amount of $1,000. An exemption is also allowable for a taxpayer's spouse 65 years of age or over at the close of the taxable year in the amount of $1,000.

Data: January 2020 Gross Income Tax Calculator.

Reliability: 2 Based on a sample of verified tax returns.

Effectiveness: The New Jersey Gross Income Tax Act (N.J.S.A. 54A:1-1 et seq.) was designed to be a levy based on administrative simplicity, to avoid inter-period adjustments with low rates. The Legislature provided few exemptions and deductions but included personal exemptions.

2 Alimony and Separate Maintenance Payments

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

Effective Date: 7/8/1976 **2021 Estimate:** $57,500,000
Applied Date: 7/1/1976

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 to 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: December 2018 Gross Income Tax Calculator.

Reliability: 2 Based on a sample of verified tax returns.

Effectiveness: 24,000 returns took this deduction.

3 Angel Investor Tax Credit Act

Citation: N.J.S.A. 54A:4-13

Effective Date: 1/31/2013 **2021 Estimate:** $25,000,000

Applied Date: 1/1/2012

Objective: Establishes credits against Corporation Business and Gross Income Taxes for angel investor cash investments in New Jersey emerging technology businesses effective for privilege periods and taxable years beginning on or after January 1, 2012.

Description: Upon approval by the NJEDA, a taxpayer is allowed a credit against the Gross Income Tax (N.J.S.A. 54A:1-1 et seq.) amount due for the taxable year, of 10% of the qualified investment made in a New Jersey emerging technology business, up to a maximum allowed credit of $500,000 for the taxable year for each qualified investment made by the taxpayer.

Data: NJEDA Staff;

Reliability: 3 Based on data files of incomplete or unverified information from actual tax returns.

4 Blind/Disabled exemption

Citation: N.J.S.A. 54A:3-1

Effective Date: 7/6/1976 **2021 Estimate:** $2,600,000

Applied Date: 7/1/1976

Description: A taxpayer is allowed $1,000 exemptions if that taxpayer is 65 years of age by the close of the taxable year. A taxpayer's spouse is allowed a $1,000 exemptions if he or she is 65 years of age by the close of the taxable year.

Data: January 2020 Gross Income Tax Calculator.

Reliability: 2 Based on a sample of verified tax returns.

6 Cafeteria Plan, Qualified Option

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

Effective Date: 6/1/1995

Applied Date: 6/1/1995

Objective: To allow a gross income taxpayer to exclude the value of employee "cash-out options" under employer provided cafeteria benefit plans. Cafeteria plans, authorized under section 125 of the Internal Revenue Code of 1986, permit an employer to offer employees individual choices among federally nontaxable employer provided benefits and choices between those benefits and cash. The employee must recognize federally taxable income only if receipt of cash is actually chosen. The five permitted benefits are group life insurance, group accident and health insurance, medical cost reimbursement, dependent care services, and cash or deferred arrangements.

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.

Reliability: 2 Based on a sample of verified tax returns.

Effectiveness: Several of the federal "cafeteria plan" optional deductions are recognized as New Jersey tax deductions.

7 Capital Gain Exclusion on Sale of Principal Residence

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

Effective Date: 3/20/1998 **2021 Estimate:** $335,700,000

Objective: This bill increases the income exclusion under the New Jersey Gross Income Tax of gain derived from the sale or exchange of a principal residence. The bill conforms the Gross Income Tax treatment of such gain to a similar federal income tax exemption provided under the federal Taxpayer Relief Act of 1997.

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.

Data: IHS Market Regional Service - New Jersey forecast (January 2019), IRS 1040 data for New Jersey. Spreadsheet calculation.

Effectiveness: New Jersey aligns with the federal government to simplify the tax calculation by following federal rules in excluding a portion of home value for home sales or exchanges. All who qualify can take advantage of this exclusion.

8 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

Objective: As part of the original legislation which created the Income Tax, the Legislature ensured an exclusion for cash or assistance from a charitable organization. This exclusion remains in effect.

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.

Effectiveness: The State recognizes individuals who are in financial distress and receive support from charitable organizations and by doing so shields that income from taxation.

9 Certain Exclusions from Military Pay

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

Effective Date: 7/8/1976

Objective: As part of the original legislation which created the Income Tax, the Legislature ensured certain exclusions from military pay.

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.

10 Charitable Trust or Pension/Profit Sharing Plan Trust

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

Effective Date: 7/8/1976

Objective: As part of the original legislation which created the Income Tax, the Legislature ensured an exclusion for income earned by a charitable trust or a pension/profit-sharing plan trust. This exclusion remains in effect.

Description: The income of a charitable trust or a pension/profit-sharing plan trust is exempt from Gross Income Tax.

11 Child Support

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

Effective Date: 7/8/1976 **2021 Estimate:** $202,200,000

Objective: As part of the original legislation which created the Income Tax, the Legislature ensured child support is not included in gross income. This exclusion remains in effect.

Description: Child support payments received are not included in gross income.

Data: NJ-1040 data and New Jersey data on child support cases from Department of Health and Human Services

Reliability: 2 Based on a sample of verified tax returns.

62 Child and Dependent Care Tax Credit

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

2021 Estimate: $11,900,000

Objective: P.L. 2018, Chapter 35, in addition to other changes made to the Gross Income Tax Act (N.J.S.A. 54A:1-1 et seq.), allowed New Jersey resident taxpayers with taxable income of $60,000 or less who receive the federal Child and Dependent Care Credit to be granted a Gross Income Tax credit.

Description: For taxpayers with gross incomes below $60,000, provides a nonrefundable tax credit for expenses related to the care of one or more qualifying individuals. Qualifying individuals include children under age 13 and spouses or other dependents incapable of self-care. The credit is equal to between 10% and 50% of the federal credit for expenses for household and dependent care services (IRC 26 U.S.C. s. 21), depending on the taxpayer's gross income. Credits are limited to $500 for one qualifying individual or $1,000 for two or more.

Data: NJ-1040 data

Reliability: 2 Based on a sample of verified tax returns.

12 Commuter Transportation Benefits

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

Effective Date: 7/17/2001

Objective: To reduce work-related vehicle trips and miles traveled by employees in an effort to reduce the amount of pollutants being emitted by daily travel.

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

13 Credit for Taxes Paid to Other Jurisdiction(s)

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

Effective Date: 7/7/1993 **2021 Estimate:** $4,317,200,000

Objective: To allow resident taxpayers who receive income from other taxing jurisdictions (work or derive income in other states or cities that impose tax on those earning income there) which is subject to tax both in New Jersey and in that other jurisdiction to take a credit for those taxes. The credit is the greater of the tax actually paid or a calculated amount representing the proportion of income subject to tax in the other jurisdiction as compared to income from all sources which is taxable to a New Jersey resident.

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.

Data: January 2020 Gross Income Tax Calculator.

Reliability: 2 Based on a sample of verified tax returns.

Effectiveness: New Jersey, like many other states, recognizes that individuals working outside our State are burdened with those states' taxes. This credit reduces that burden via a proportion calculation. 416,000 returns used this credit.

14 Damages for Personal Injury or Illness

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

Effective Date: 7/8/1976

Objective: As part of the original legislation which created the Income Tax, the Legislature ensured an exclusion for income earned due to personal injury or illness. This exclusion remains in effect.

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

15 Deductions for Medical Savings Account Contributions

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

Effective Date: 1/19/1998

Objective: This bill establishes certain standards for medical savings accounts opened by employers and permits employees who are account holders of medical savings accounts to deduct from gross income the amount deposited in such an account and any interest, dividends or gain earned thereon under certain circumstances.

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

Reliability: 2 Based on a sample of verified tax returns.

16 Deductions from Business Income

Citation: N.J.S.A. 54A:5-1(b) (P. L.1976, Chapter 47; amended P.L. 1977, Chapter 40, P.L. 1977, Chapter 273, P.L. 1981, Chapter 423, P.L. 1983, Chapter 571, P.L. 1987, Chapter 76, P.L. 1987, Chapter 310, P.L. 1990, Chapter 79, P.L. 1993, Chapter 173, P.L. 1997, Chapter 414, P.L. 1998, Chapter 57)

Effective Date: 7/24/1998 **2021 Estimate:** $854,200,000

Objective: The allowance of legitimate business deductions from gross income realized from an unincorporated business, primarily the same deductions as allowed for federal income tax purposes, ensures that only net income is subject to the Income Tax.

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.

The Governor signed into law P.L. 2011, Chapter 60, a Gross Income Tax reform which provides an alternative business income calculation that affords business taxpayers a limited ability to consolidate business income sources, utilize business losses and carry forward unused losses for up to 20 years. This new law is applicable to Tax Years 2012 and beyond.

Data: December 2018 Gross Income Tax Calculator and IMF/IRTF file (IRS).

Reliability: 2 Based on a sample of verified tax returns.

Effectiveness: New Jersey, since the inception of the Income Tax, has allowed deductions for the vast majority of business expenses. This serves to reduce the complication with the federal income tax and to simplify New Jersey's tax calculations. This deduction was reported on 409,000 returns reporting business income.

17 Deductions from Rents, Royalties, Patents and Copyrights

Citation: N.J.S.A. 54A:5-1(d) (P.L. 1976, Chapter 47; amended P.L. 1977, Chapter 40, P.L. 1977, Chapter 273, P.L. 1981, Chapter 423, P.L. 1983, Chapter 571, P.L. 1987, Chapter 76, P.L. 987, Chapter 310, P.L. 1990, Chapter 79, P.L. 1993, Chapter 173, P.L. 1997, Chapter 414, P.L. 1998, Chapter 57)

Effective Date: 7/24/1998 **2021 Estimate:** $483,200,000

Objective: To allow the recipients of rent, royalty, patent and copyright income to reduce gross income from these sources by the legitimate costs of earning such income.

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

Data: December 2018 Gross Income Tax Calculator and IMF/IRTF file (IRS).

Reliability: 2 Based on a sample of verified tax returns.

Effectiveness: New Jersey, since the inception of the Income Tax, has allowed deductions for the vast majority of federally allowable business expenses including that for rents, royalties, patents and copyrights. This serves to simplify New Jersey's tax calculations.

18 Dependent Child Exemption

Citation: N.J.S.A. 54A:3-1

Effective Date: 7/12/1990 **2021 Estimate:** $151,400,000

Applied Date: 1/1/1991

Objective: P.L. 1990, Chapter 61, in addition to other changes made to the Gross Income Tax Act (N.J.S.A. 54A:1-1 et seq.), increased the then-current exemption amount for qualifying dependent children in an attempt to financially support child-rearing taxpayers.

Description: A taxpayer is allowed a $1,500 exemption for each dependent who qualifies as a dependent of the taxpayer during the taxable year for federal income tax purposes.

Data: January 2020 Gross Income Tax Calculator.

Reliability: 2 Based on a sample of verified tax returns.

19 Dependents Attending College

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

Effective Date: 9/2/1976 **2021 Estimate:** $11,200,000

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 New Jersey tax return who is under age 22 for the entire tax year and is attending college full-time.

Data: January 2020 Gross Income Tax Calculator.

Reliability: 2 Based on a sample of verified tax returns.

Effectiveness: The State of New Jersey recognizes the financial struggle for parents to afford the current high costs of college tuition and therefore established this deduction. All eligible residents take advantage of this deduction.

20 Education IRA or State Tuition Plan Earnings

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

Effective Date: 12/11/2001

Objective: To provide a mechanism through which tuition cost, registration fees, and dormitory residence may be paid in advance of enrollment in a public institution of higher education at a rate lower than the cost at the time of actual enrollment. To support the New Jersey Prepaid Higher Education Expense Program.

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.

21 Employee 401(k) Contributions

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

Effective Date: 1/1/1984 **2021 Estimate:** $221,100,000

Objective: Allows for employee contributions to their own 401(k) retirement fund to be excluded from gross income. This exclusion took effect January 1, 1984.

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

Data: BEA Regional data, Investment Company Research Institute data

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

Effectiveness: It is assessed that this expenditure is effective as individuals enrolled in other pension or retirement plans seek the advantage of the 401(k) contribution exclusion.

22 Employee's Death Benefits

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

Effective Date: 7/8/1976

Objective: As part of the original legislation which created the Income Tax, the Legislature ensured that gross income does not include benefit amounts paid by or on behalf of an employer due to the death of the employee. This exclusion remains in effect.

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

Effectiveness: New Jersey does not tax benefits received by a grieving loved one due to loss of life. All who qualify take advantage of this exclusion.

23 Employer 401(k) Contributions

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

Effective Date: 1/1/1984 **2021 Estimate:** $221,100,000

Objective: Allows for employer contributions, on behalf of the employee, to an employee's 401(k) retirement fund to be excluded from gross income. This exclusion took effect January 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.

Data: BEA Regional data, Investment Company Research Institute data, January 2016 GIT Extrapolator and Tax Calculator

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

Effectiveness: Effective January 1, 1984, 401(k) pension contributions were made allowable to reduce taxable annual income to assist taxpayers funding their own retirement.

24 Employer Contributions to Retirement Plans

Citation: P.L. 1976, Chapter 47

Effective Date: 7/8/1976 **2021 Estimate:** $221,100,000
Applied Date: 8/30/1976

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

Data: BEA Regional data, Investment Company Research Institute data

Effectiveness: The Gross Income Tax Act does not require employer contributions to a retirement account to be taxed or reported as income by a recipient. This fosters employer support of employee retirement without consequence to the employee.

25 Exempt Interest (Federal) Exclusion

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

Effective Date: 7/8/197 **2021 Estimate:** $21,200,000

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: National income and product accounts, table 7.11, Bureau of Economic Analysis

Reliability: 2 Based on a sample of verified tax returns.

Effectiveness: The federal government requires certain interest earned to be exempt. The State of New Jersey follows this requirement. This encourages the investment in government bonds and other similar instruments.

26 Exempt Interest (State) Exclusion

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

Effective Date: 7/8/1976 **2021 Estimate:** $6,300,000

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: National income and product accounts, table 7.11, Bureau of Economic Analysis

Reliability: 2 Based on a sample of verified tax returns.

Effectiveness: The State of New Jersey excludes certain interest earned from taxation. This encourages the investment in government bonds and other similar instruments. 251,000 returns with federal or state/local nontaxable interest.

27 Family Leave Benefits

Citation: N.J.S.A. 54A:6-31

Effective Date: 5/2/2008

Objective: To reaffirm the State's commitment to sustaining the State-operated, nonprofit State disability benefits plan, which has been found to be a highly efficient and cost-effective means of ensuring the availability of coverage for employers and workers with low overhead costs impartial claims processing.

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

28 Gambling Losses

Citation: N.J.S.A. 54A:5-1(g) (P.L. 1976, Chapter 47; amended 1977, Chapter 40, 1977, Chapter 273, 1981, Chapter 423, 1983, Chapter 571, 1987, Chapter 76, 1987, Chapter 310, 1990, Chapter 79, 1993, Chapter 173, 1997, Chapter 414, 1998, Chapter 57)

Effective Date: 7/24/1998

Objective: To provide for the opportunity to deduct actual losses from gambling. Only losses from taxable gambling activities are permitted to be deducted. This provides an equitable match between taxable activities and losses resulting from such activities.

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.

29 Gifts and Inheritances

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

Effective Date: 7/8/1976 **2021 Estimate:** $225,100,000

Objective: As part of the original legislation which created the Income Tax, the Legislature ensured that gross income does not include the value of property acquired by gift, bequest, devise or inheritance. This exclusion remains in effect.

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

Data: Inheritance Tax Master Cash File, Division of Taxation

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

Effectiveness: These income sources have been nontaxable since the inception of the Gross Income Tax as they may be taxed under other tax laws.

30 Gross Income Under $20,000

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

Effective Date: 9/11/1980 **2021 Estimate:** $50,100,000

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.

Data: January 2020 Gross Income Tax Calculator.

Reliability: 2 Based on a sample of verified tax returns.

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

31 Health Enterprise Zone Deduction

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

Effective Date: 3/1/2005 **2021 Estimate:** $600,000

Objective: To provide access to quality medical and dental primary care for the traditionally medically underserved communities in New Jersey. To that end, this bill institutes incentives to encourage primary care physicians and dentists to set up and maintain their medical and dental offices in the State's medically and dentally underserved areas.

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: January 2020 Gross Income Tax Calculator.

Reliability: 2 Based on a sample of verified tax returns.

Effectiveness: 73 returns took this deduction.

32 Holocaust Reparations and Restitution

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

Effective Date: 10/20/1998

Objective: This bill amends the New Jersey Gross Income Tax Act to exempt recoveries of looted property from definitions of income for victims of National Socialist (Nazi) persecution.

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

Effectiveness: New Jersey law shields from taxation money received as a result of the horrible suffering and violation of human rights brought about by the Nazi regime during the Second World War.

33 Homeless Persons' Assistance Programs

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

Effective Date: 1/9/2009

Objective: To promote the establishment of more assistance programs for the homeless through excluding the programs from the Gross Income Tax.

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

34 Life Insurance Payments

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

Effective Date: 7/8/1976

Objective: As part of the original legislation which created the Income Tax, the Legislature ensured that gross income does not include the proceeds of life insurance contracts payable by reason of death. This exclusion remains in effect.

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

35 Loan Redemption

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

36 Lottery Winnings under $10,000

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

Effective Date: 6/29/2009

Objective: The Gross Income Tax Act, as amended, preserves the exemption for winnings of less than $10,000 in an effort to promote the support of the recipient agencies and populations benefiting from State Lottery proceeds. The original Gross Income Tax Act (P.L. 1976, Chapter 47) exempted all Lottery winnings.

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

Data: Extrapolation of New Jersey Lottery Commission data

Reliability: 3 Based on data files of incomplete or unverified information from actual tax returns.

37 Medical Expenses

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

Effective Date: 9/22/1999 **2021 Estimate:** $477,800,000

Objective: The bill allows the self-employed to deduct the cost of their health insurance premiums under the New Jersey Gross Income Tax.

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 January 2020 GIT Tax Calculator.

Reliability: 2 Based on a sample of verified tax returns.

Effectiveness: The federal government allows for deductions for medical expenses when the expenses total more than 10% of Adjusted Gross Income, while New Jersey alters that standard to 2% of New Jersey Gross Income. New Jersey has provided residents a greater deduction and, therefore, a greater relief from the growing burden of medical expenses than the federal government.

38 Medical Savings Account Contributions

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

Effective Date: 7/19/1998

Objective: The Gross Income Tax Act establishes certain standards for medical savings accounts opened by employers and permits employees who are account holders of medical savings accounts to deduct from gross income the amount deposited in such an account and any interest, dividends or gain earned thereon under certain circumstances.

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.

39 Military Pension and Survivor's Benefit Payments

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

Effective Date: 5/7/2001

Objective: To exclude military pensions from the New Jersey Gross Income Tax in an attempt to make it easier for the men and women of the military to live in New Jersey. Military pension funds also contribute to the vitality of the State's economy.

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.

40 New Jersey Earned Income Tax Credit Payments

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

Effective Date: 6/30/2010 **2021 Estimate:** $484,449,815

Objective: To assist New Jersey families struggling to provide for their children, reduce child poverty; help families afford better care for their children, support welfare-to-work efforts and foster employment Statewide.

Description: The law provides a refundable tax credit program for low- to moderate-income individuals and families with earned income. The State credit is equal to 40 percent of the federal Earned Income Tax Credit for eligible filers. More information is available at *www.state.nj.us/treasury/taxation/eitcinfo.shtml*

Data: January 2020 Gross Income Tax Calculator.

Reliability: 2 Based on a sample of verified tax returns.

Effectiveness: For more information on the effectiveness of state earned 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*

41 Other Dependent Exemptions

Citation: N.J.S.A. 54A:3-1

Effective Date: 7/12/1990 **2021 Estimate:** $10,800,000

Applied Date: 1/1/1991

Objective: To provide additional exemption(s) to all dependents for which the taxpayer is eligible to take a federal exemption.

Description: A taxpayer is allowed a $1,500 exemption for each dependent who qualifies as a dependent of the taxpayer during the taxable year for federal income tax purposes.

Data: December, 2018 Gross Income Tax Calculator.

Reliability: 2 Based on a sample of verified tax returns.

42 Other Retirement Income Exclusion and Special Exclusion

Citation: N.J.S.A. 54A:6-15 (P.L. 1977, Chapter 273, P.L. 2016, Chapter 57)

Effective Date: 7/8/1976 **2021 Estimate:** $10,800,000

Objective: This "additional exclusion" allows those eligible seniors, who receive less than the maximum exclusion to reduce other, passive income receipts up to the maximum excludable amounts otherwise available to provide parity amongst senior taxpayers.

The additional Special Exclusion is provided for those seniors who would otherwise be eligible to receive Social Security or Railroad Retirement benefits and were only

Description: The Gross Income Tax pension and other retirement income exclusions for qualified taxpayers are increased over a four-year phase-in period. In the Tax Year 2020, the exclusions will be $100,000 for married/civil union couples filing jointly, $75,000 for individuals, and $50,000 for married/civil union partners filing separately.

Data: January 2020 Gross Income Tax Calculator.

Reliability: 2 Based on a sample of verified tax returns.

Effectiveness: Since the inception of the New Jersey Gross Income Tax seniors and certain disabled residents have had the ability to deduct portions of their pensions. Over time the excludable amount has increased and is currently $20,000 or the difference between retirement income and the remaining excludable amount. This has clearly been a benefit to those on fixed incomes.

43 Pension Exclusion

Citation: N.J.S.A.54A:6-10 (P.L.1976, Chapter 47; amended P.L. 1977, Chapter 40, Chapter 273, P.L. 1979, Chapter 79, P.L. 1990, Chapter 61, P.L. 1999, Chapter 177., P.L. 2016, Chapter 57)

Effective Date: 7/8/1976 **2021 Estimate:** $255,900,000

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: The Gross Income Tax pension exclusion amount for qualified taxpayers is increased over a four-year phase-in period. In the Tax Year 2020, the exclusions will be $100,000 for married/civil union couples filing jointly, $75,000 for individuals, and $50,000 for married/civil union partners filing separately.

Data: January 2020 2018 Gross Income Tax Calculator.

Reliability: 2 Based on a sample of verified tax returns.

Effectiveness: In 2014, there were 543,300 recipients.

44 Permanent Disability Exclusion

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

Effective Date: 7/8/1976 **2021 Estimate:** $16,700,000

Objective: As part of the original legislation which created the Income Tax, the Legislature ensured that gross income does not include amounts received as permanent disability payments through a public or private plan. This exclusion remains in

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

Data: Annual Personal Income Tables (BEA).

Effectiveness: Those receiving pensions resulting from permanent and total disability may exclude those pensions from the Gross Income Tax.

45 Personal Exemptions and Deductions

Citation: N.J.S.A. 54A:3-1 (P.L. 1976, Chapter 47; amended P.L. 1990, Chapter 61, P.L. 1993, Chapter 178, P.L. 1993, Chapter 320, P.L. 2003, Chapter 246. P.L.2016, Chapter 56)

Effective Date: 7/8/1976 **2021 Estimate:** $1,096,800,000

Objective: This allowance, similar in nature but differing in amount, is provided in recognition of certain personal costs that each individual taxpayer, certain older taxpayers and dependents that must be provided for by the taxpayer.

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. Also, a personal exemption of $3,000 for veterans who were honorably discharged or released under honorable circumstances from active duty in the Armed Forces of the United States, a reserve component thereof, or the National Guard of New Jersey in a federal active duty status, as defined in N.J.S.A. 38A:1-1. This exemption is in addition to the $1,000 personal exemption that each taxpayer is entitled to, and any other additional exemption for which the veteran is eligible. The deductible is $1,500 for each dependent and $1,000 for each dependent attending college.

Data: January 2020 Gross Income Tax Calculator.

Reliability: 2 Based on a sample of verified tax returns.

Effectiveness: All taxpayers receive a personal exemption of $1,000 for themselves, their spouse and dependents, intended, in the same manner as federal tax exemptions, to shield from taxable income an allowance for personal needs.

46 Property Tax Credit

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

Effective Date: 1/1/1996 **2021 Estimate:** $30,300,000

Objective: To provide a tax credit in the amount of $50 for homeowners or renters who do not benefit from taking a property tax deduction.

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.

Data: January 2020 Gross Income Tax Calculator.

Reliability: 2 Based on a sample of verified tax returns.

Effectiveness: For New Jersey residents who have, for years, suffered from the burden of high property taxes, this credit, based on a calculation, reduces taxable liability. All residents who qualify take advantage of the most financially beneficial option.

47 Property Tax Deduction

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

Effective Date: 1/1/1996 **2021 Estimate:** $730,600,000

Objective: The act, as amended, provides a Gross Income Tax deduction of up to $15,000 for property taxes paid by homeowners, or the rental equivalent thereof paid by tenants, on a taxpayer's principal residence in this State. The cited amendment reinstated the deduction of property taxes under the Gross Income Tax which was allowed under the former "Homestead Tax Relief Act," P.L. 1985, Chapter 304

Description: Taxpayers are entitled to a deduction up to $15,000 from gross income for property taxes due and paid for that calendar year on the taxpayer's homestead.

Data: January 2020 Gross Income Tax Calculator.

Reliability: 2 Based on a sample of verified tax returns.

48 Qualified Conservation Contribution

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

Effective Date: 1/14/2000 **2021 Estimate:** $400,000

Objective: To provide New Jersey taxpayers with an incentive to transfer ownership interests in real property to governmental or nongovernmental agencies engaged in land conservation or, through such means as development easements and conservation restrictions, to limit permanently the use of such property so that its natural character is preserved.

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

Data: January 2020 Gross Income Tax Calculator.

Reliability: 2 Based on a sample of verified tax returns.

Effectiveness: There is and has been wide support for the preservation of open space, the fact that 1,273 returns took this deduction would appear to indicate that there is active, tax-supported land preservation occurring.

49 Railroad Retirement Exclusion

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

Effective Date: 7/8/1976 **2021 Estimate:** $8,700,000

Objective: As part of the original legislation which created the Income Tax, the Legislature ensured that gross income does not include payments received under the Railroad Retirement Act. This exclusion remains in effect.

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

Data: Personal Current Transfer Data, SAINC35, New Jersey, Bureau of Economic Analysis

Effectiveness: Two years after the Social Security Act of 1935, the Railroad Retirement and Carrier Taxing Acts of 1937 became law, allowing employees of the railroad industry to have a retirement pension. Like Social Security, the State of New Jersey excludes this income from taxation to allow our States' seniors to have greater disposable income. This ensures that both Social Security and Railroad Retirement Benefits recipients are treated equitably.

50 Roth IRA Distributions

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

Effective Date: 12/31/1997

Objective: This bill conforms the New Jersey Gross Income Tax treatment of the popular federally authorized Roth IRA's to the federal tax treatment of these accounts. Under the bill, qualified distributions from a Roth IRA are not includible in taxable New Jersey gross income.

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

51 Scholarships and Fellowship Grants

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

Effective Date: 7/8/1976

Objective: As part of the original legislation which created the Income Tax, the Legislature ensured that gross income does not include amounts received as a scholarship or Fellowship grant. This exclusion remains in effect.

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

52 Self-Employed Health Insurance Costs

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

Effective Date: 9/22/1999 **2021 Estimate:** $46,600,000

Objective: The law allows self-employed taxpayers to deduct health insurance costs. Employer paid health benefits are not included in employees' taxable income; the law provides equitable treatment of self-employed and employee taxpayers.

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: 2017 New Jersey return data merged with 2017 federal 1040 data

Reliability: 1 Based on the population of verified tax returns.

Effectiveness: New Jersey, since the inception of the Income Tax, has allowed deductions for the vast majority of federally allowable business expenses. This serves to simplify New Jersey's tax calculations. This deduction ensures that those self- employed taxpayers are not burdened with taxes on expenditures for maintaining good health.

53 Sheltered Workshop Tax Credit

Citation: N.J.S.A. 54A:4-11 (P.L. 2005, Chapter 318)

Effective Date: 3/1/2005 **2021 Estimate:** $43,700,000

Objective: To support the sheltered workshop operations of Easter Seals and other nonprofit sponsors of facilities that provide employment to the developmentally disabled under contract with private employers.

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

Data: December 2018 Gross Income Tax Calculator.

Reliability: 2 Based on a sample of verified tax returns.

Effectiveness: 173 returns used this credit, which indicates that a number of employers are providing meaningful work experiences for New Jersey's disabled citizens.

54 Social Security Income Exclusion

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

Effective Date: 7/8/1976
Applied Date: 7/1/1976

2021 Estimate: $1,165,700,000

Objective: As part of the original legislation which created the Income Tax, the Legislature ensured that Social Security benefits received are not taxable under the Gross Income Tax to any extent. This exclusion remains in effect.

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

Data: Personal Current Transfer Data, SAINC35, New Jersey, Bureau of Economic Analysis

Reliability: 2 Based on a sample of verified tax returns.

Effectiveness: The State of New Jersey, unlike the federal government does not tax monies received as Social Security benefits, preserving the value of this important component of income for New Jersey's seniors.

55 Taxpayer and Spouse/CU Partner

Citation: N.J.S.A. 54A:3-1

Effective Date: 7/6/1976
Applied Date: 7/1/1976

2021 Estimate: $218,100,000

Objective: The New Jersey Gross Income Tax Act (N.J.S.A. 54A:1-1 et seq.)

Description: Each taxpayer shall be allowed a personal exemption of $ 1,000.00 which may be taken as a deduction from his or her New Jersey gross income. An additional exemption is allowable for the taxpayer's spouse, or domestic partner as defined in section 3 of P.L. 2003, chapter 246 (C. 26:8A-3), who does not file separately -- $ 1,000.00.

Data: January 2020 Gross Income Tax Calculator.

Reliability: 2 Based on a sample of verified tax returns.

Effectiveness: The New Jersey Gross Income Tax Act (N.J.S.A. 54A:1-1 et seq.) was designed to be a levy based on administrative simplicity, to avoid inter-period adjustments with low rates. The Legislature provided few exemptions and deductions but included personal exemptions.

56 Temporary Disability Exclusion

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

Effective Date: 7/8/1976 **2021 Estimate:** $11,400,000

Objective: As part of the original legislation which created the Income Tax, the Legislature ensured that gross income does not include amounts received as temporary disability payments through the New Jersey State temporary disability insurance law. This exclusion remains in effect.

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

Data: Personal Current Transfer Data, SAINC35, New Jersey, Bureau of Economic Analysis

Effectiveness: The State Income Tax has never applied to the receipt of temporary disability benefits, thereby preserving the full value of this income for those periods when individual taxpayers are precluded from working.

57 Unemployment Insurance Exclusion

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

Effective Date: 7/8/1976 **2021 Estimate:** $47,500,000

Objective: As part of the original legislation which created the income tax, the Legislature ensured that gross income does not include benefits received under any unemployment insurance law. This exclusion remains in effect.

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

Data: Personal Current Transfer Data, SAINC35, New Jersey, Bureau of Economic Analysis

Reliability: 2 Based on a sample of verified tax returns.

Effectiveness: Especially in times of financial distress, our State has, since the inception of the State's personal Income Tax, deemed that unemployment payments will not be impacted by taxation.

58 Victims of September 11, 2001 Terrorist Attacks

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

Effective Date: 1/27/2003

Objective: To ease some of the financial hardship and worry for the thousands of aggrieved wives, husbands and children suffering from their loss of loved ones in the terrorist attacks of September 11, 2001.

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.

Effectiveness: All individuals who suffered the loss or injury of a loved one or other hardships due to the terrorist attacks on September 11, 2001, were provided tax relief for that year in an attempt to alleviate a portion of their financial and emotional burden. All who were eligible took advantage of this exclusion.

59 Welfare Assistance Payments

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

Effective Date: 7/8/1976 **2021 Estimate:** $81,900,000

Objective: As part of the original legislation which created the Income Tax the Legislature ensured that monies received as welfare assistance are not included in gross income. This exclusion remains in effect.

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

Data: Personal Current Transfer Data, SAINC35, New Jersey, Bureau of Economic Analysis

Effectiveness: New Jersey has taken the position that individuals who fall below the poverty line and receive money from Welfare Assistance programs are not taxed. All who are qualified take advantage of this exclusion.

60 Worker's Compensation Exclusion

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

Effective Date: 7/8/1976 **2021 Estimate:** $8,600,000

Objective: As part of the original legislation which created the Income Tax, the Legislature ensured that gross income does not include amounts received through worker's compensation acts. This exclusion remains in effect.

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

Data: Personal Current Transfer Data, SAINC35, New Jersey, Bureau of Economic Analysis

Effectiveness: Like temporary disability payments, the State does not reduce the value of these payments which are received by taxpayers who cannot work during the period for which worker's compensation payments are received.

61 Veteran Personal Exemption

Citation: N.J.S.A. 54A:3-1

Effective Date: 1/1/2017 **2021 Estimate:** $28,400,000

Applied Date: 10/14/2016

Objective: An exemption of $3,000 (for Tax Years 2017 and 2018), doubling to $6,000 in Tax Year 2019, for veterans who were honorably discharged or released under honorable circumstances from active duty in the Armed Forces of the United States, a reserve component thereof, or the National Guard of New Jersey in a federal active duty in the Armed Forces of the United States, a reserve component thereof, or the National Guard of New Jersey in a federal active duty status, as defined in N.J.S.A. 38A:1-1.

Description: A personal exemption of $3,000 (for Tax Years 2017 and 2018), doubling to $6,000 in Tax Year 2019, for veterans who were honorably discharged or released under honorable circumstances from active duty in the Armed Forces of the United States, a reserve component thereof, or the National Guard of New Jersey in a federal active duty status, as defined in N.J.S.A. 38A:1-1. This exemption is in addition to the $1,000 personal exemption that each taxpayer is entitled to, and any other additional exemption for which the veteran is eligible.

Data: January 2020 GIT Tax Calculator

Reliability: 2 Based on a sample of verified tax returns.

Sales and Use Tax
Overview

Description

Sales and Use Tax applies to receipts from the 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 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 was reduced from 6.875% to 6.625% on January 1, 2018. (P.L.2016, Chapter 57)

Disposition of Revenues

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

Recent History

P.L.2018, Chapter 49 imposed the Sales and Use Tax (as well as the Hotel and Motel Occupancy Fee) on rentals of transient accommodations, effective October 1, 2018.

P.L. 2018, Chapter 132 applied the Sales and Use Tax to transactions made by remote sellers that do not have a physical presence in New Jersey. The law became effective November 1, 2018.

P.L. 2015, Chapter 170 provides a 50% Sales and Use Tax exemption on the sale of new and used boats and other vessels. The maximum amount of tax imposed cannot exceed $20,000. Residents who purchase boats outside of New Jersey may use the boat in this State for 30 days before incurring a Use Tax obligation. The law is effective immediately and the partial exemption applies to sales and uses on or after February 1, 2016. The grace period applies to uses on or after January 1, 2016.

P.L. 2016, Chapter 57 reduces the Sales and Use Tax rate from 7% to 6.875% on and after January 1, 2017, and then again to 6.625% on and after January 1, 2018.

P.L. 2017, Chapter 27 amends certain provisions of the Sales and Use Tax Act to eliminate the tax charged on receipts from transportation services that originate in this State and are provided by a limousine operator on or after May 1, 2017.

P.L. 2017, Chapter 276: Provides Sales and Use Tax exemption for sales of breast pumps, breast pump collection and storage supplies, and certain services to maintain and repair breast pumps.

Breast Pumps, Breast Pump Milk Collection and Storage Supplies, Certain Breast Pump Services and Repair

Citation: N.J.S.A.(P.L. 2017, c. 276)

Effective Date: 5/1/2018

Objective: This law provides an exemption from the Sales and Use Tax for sales of breast pumps and breast pump collection and storage supplies to an individual purchaser for home use so that these pumps and supplies receive the same tax- exempt treatment as other basic necessities

Description: Exempts from Sales and Use Tax breast pumps, breast pump collection and storage supplies, and certain services to maintain and repair breast pumps.

1 Admission to Athletic Games: Elementary or Secondary Schools

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

Effective Date: 7/14/1997
Applied Date: 1/1/1998

Objective: To comply with the then-current Streamlined Sales and Use Tax Agreement, the Act provides a full Sales and Use tax exemption for charges for admission to athletic games or exhibition when sold by a public elementary or qualifying non-profit secondary school. To comply with the then-current Streamlined Sales and Use Tax Agreement, the Act provides a full Sales and Use Tax exemption for charges for admission to athletic games or exhibition when sold by a public elementary or qualifying non-profit secondary school.

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, Chapter 162)

Effective Date: 7/14/1997
Applied Date: 1/1/1998

Objective: To include parent-teacher groups to be considered amongst those organizations that have been granted Exempt Organization status, which provides for Sales-Tax free purchases of goods or services for the organizations' own use to reduce costs for those organizations.

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

3 Advertising To Be Published in a Newspaper

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

Effective Date: 9/11/1980 **2021 Estimate:** $11,100,000
Applied Date: 9/11/1980

Objective: To exempt Receipts from the sales of advertising to be published in a newspaper from the tax imposed by the Sales and Use Tax Act.

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: Economic Census 2002-2007 Data.

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

4 Bakery Items

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

Effective Date: 7/2/2005 **2021 Estimate:** $15,500,000
Applied Date: 10/1/2005

Objective: The State's Sales and Use Tax has been revised to conform to various provisions of the multi-state Streamlined Sales and Use Tax Agreement (SSUTA). The changes are intended to simplify and modernize the State's tax collection and administrative procedures, and to ensure New Jersey continues to remain compliant with the provisions of the SSUTA.

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.

Data: Economic Census 2007-2012 data

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

5 Barges

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

Effective Date: 7/8/1988
Applied Date: 7/8/1988

Objective: Receipts from sales or charges for repairs, alterations or conversion of barges and other vessels of 50-ton burden or over are exempt from the tax imposed by the Sales and Use Tax Act. These vessels are integral to intrastate and interstate commerce.

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

6 BPU-Regulated Service Provider Purchases of Equipment (as defined in N.J.S.A. 54:32B-8.13C)

Citation: N.J.S.A. 54:32B-8.13(c) (L. 1980, Chapter 105, § 25; amended 1985, Chapter 266; 1989, Chapter 2, § 1; 1995, Chapter 317; 1996, Chapter 26, § 18; 1997, Chapter 162, § 23).

Effective Date: 1/5/1996
Applied Date: 4/1/1996

Objective: The Act provides a full Sales and Use Tax Exemption for machinery, apparatus and equipment sold to a service provider regulated by the New Jersey Board of Public Utilities or the Federal Communications Commission for use directly and primarily in providing telecommunications service.

Description: Machinery, apparatus and equipment sold to a service provider regulated by the New Jersey Board of Public Utilities or the Federal Communications Commission for use directly and primarily in providing telecommunications service are not subject to Sales Tax.

7 Broadcast Equipment (as defined in N.J.S.A. 54:32B-8.13(e))

Citation: N.J.S.A. 54:32B-8.13(e) (L. 1980, Chapter 105, § 25; amended 1985, Chapter 266; 1989, Chapter 2, § 1; 1995, Chapter 317; 1996, Chapter 26, § 18; 1997, Chapter 162, § 23).

Effective Date: 7/14/1997 **2021 Estimate:** $5,900,000
Applied Date: 1/1/1998

Objective: This exemption allows commercial broadcasters or cable operators to purchase certain otherwise-taxable items for their own use without payment of the tax.

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: Economic Census 2007-2012, US Census Bureau

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

8 Building Materials and Supplies Purchased for an Exempt Organization

Citation: N.J.S.A. 54:32B-8.22 (P.L. 1980, Chapter 105, amended 1983, Chapter 303, § 31; P.L. 1988, Chapter 83, § 1; P.L. 1988, Chapter 93, § 5; P.L. 2006, Chapter 34, § 2)

Effective Date: 7/8/2006
Applied Date: 7/15/2006

Objective: To ensure that those organizations granted Exempt Organization status are provided the opportunity to erect or modify structures for their own use without payment of Sales Tax on the materials used for those purposes.

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.

10 Capital Improvements to Real Property

Citation: N.J.S.A. 54:32B-3(b)(4) (P.L. 1966, Chapter 30)

Effective Date: 4/27/1966
Applied Date: 7/1/1966

Objective: The law aims to encourage capital improvements to limit the amount of deterioration of real property in any given area. This treatment has been afforded to capital improvements since the inception of the Sales Tax in this State (P.L. 1966, Chapter 30).

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

Effectiveness: There is no Sales Tax assessed on the labor portion of most completed capital improvements, which by their very nature increase property value which is subject to local property taxes. Double taxation is therefore avoided as the Sales and Use Tax is levied on sales and servicing of tangible personal property.

11 Cargo Containers

Citation: N.J.S.A. 54:32B-8.12 (P.L. 1980, Chapter 105, § 24; amended P.L. 1981, Chapter 218, § 1; P.L. 1988, Chapter 53; P.L. 1999, Chapter 273)

Effective Date: 11/24/1999
Applied Date: 11/1/1996

Objective: To ensure that the repair, alteration or conversion of cargo containers, which are integral to intrastate and interstate commerce are not subject to Sales and Use Tax.

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.

12 Casino Parking Charges Pursuant to an Agreement Between the CRDA and a Casino Operator

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

Effective Date: 12/19/2008
Applied Date: 1/1/2009

Objective: To exclude certain casino parking charges from subjectivity to the New Jersey Sales and Use Tax. This exclusion is effective as of December 19, 2008.

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

Effectiveness: To spur economic growth in Atlantic City it has been decided that Sales Tax would not be charged on certain items or services that would generally be subject to taxation.

13 Casual Sales

Citation: N.J.S.A. 54:32B-8.6 (P.L. 1980, Chapter 105, § 18; amended P.L. 1983, Chapter 400, § 7; P.L. 1989, Chapter 123, § 4; P.L. 2005, Chapter 126, § 10.)

Effective Date: 7/2/2005
Applied Date: 10/1/2005

Objective: This exemption has been a part of the Sales and Use Tax laws since the inception of the tax to prevent the occasional sale of personal property by individuals not engaged as merchants in such sales from subjectivity to the Sales and Use Tax.

Description: The law exempts property sold as a casual sale, in which individuals or businesses sell goods, originally for their own use, as long as they are not in the business of selling such products. Yard and rummage sales are common examples. Sales of motor vehicles do not qualify as casual sales.

14 Charitable Organizations Exemption

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

Effective Date: 7/8/2006 **2021 Estimate:** $107,100,000

Objective: The Sales and Use Tax Act (N.J.S.A. 54:32B-1 et seq.) exempts the purchases made by certain charitable entities for the purposes of those entities from tax in an effort to reduce costs for those organizations.

Description: New Jersey Exempt Organizations may purchase otherwise-taxable items for their own use without payment of the Sales Tax on those items.

Data: *www.irs.gov/uac/Tax-Stats-2.*

Reliability: 5 Based on federal tax expenditure estimates.

15 Chemicals and Catalysts Used in Manufacturing Processes

Citation: N.J.S.A. 54:32B-8.20 (L. 1980, Chapter 105, 32, eff. Sept. 11, 1980)

Effective Date: 9/11/1980
Applied Date: 9/11/1980

Objective: To allow receipts from sales of materials that do not become a component part of the finished product exemption from the tax imposed under the Sales and Use Tax Act.

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.

16 Clothing and Footwear

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

Effective Date: 12/19/2008 **2021 Estimate:** $895,900,000

Objective: To exclude receipts from sales of articles of clothing and footwear from the New Jersey Sales and Use Tax. This exemption does not apply to fur clothing, clothing accessories or equipment, sport or recreational equipment, or protective equipment.

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."

Data: Economic Census 2002-2007 New Jersey Unpublished Data.

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

Effectiveness: New Jersey, unlike New York and many other states, exempts most clothing and footwear in recognition of the critical nature of these purchases.

17 Cogeneration Facility Purchases of Machinery and Apparatus (as defined in N.J.S.A. 54:32B-8.13(d))

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

Effective Date: 7/14/1997

Objective: The Act provides a full Sales and Use Tax exemption for machinery, apparatus and equipment, building materials and structures used directly and primarily for cogeneration in a cogeneration facility.

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

18 Coin-Operated Telephone Service

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

Effective Date: 12/19/2008

Objective: To comply with the then-current Streamlined Sales and Use Tax Agreement, the Act provides a full Sales and Use Tax exemption for receipts from coin-paid sales of telecommunications service using pay phones and expands the prior exemption which only applied to coin-operated calls at the local calling rate.

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

19 Coin-Operated Vending Machine Sales Under $.25

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

Effective Date: 10/15/1999

Objective: The Act provides a full Sales and Use Tax exemption for receipts from sales of tangible personal property sold through coin-operated vending machines at 25¢ or less, provided the retailer is primarily engaged in making such sales and maintains records satisfactory to the director.

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

20 Commercial Fishing Boats and Boat Repairs

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

Effective Date: 11/24/1999

Objective: To clarify and extend an existing exemption from the tax for the sale and servicing of certain commercial ships to include commuter ferryboats, including specific provision for the exemption of receipts from sales or charges for repairs, alterations or conversion of ferryboats that are primarily engaged in the transportation of passengers during peak hours of commutation. Further, the statute now extends the exemption to commuter ferryboats primarily engaged in intrastate commerce.

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.

21 Commercial Fishing Vessels

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

Effective Date: 11/24/1999

Objective: The Act provides a full Sales and Use Tax exemption for receipts from sales or charges for repairs, alterations or conversion of commercial fishing vessels.

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.

22 Commercial Trucks and Truck Repairs (as defined in N.J.S.A. 54:32B-8.43)

Citation: N.J.S.A. 54:32B-8.43 (P.L. 1990, Chapter 115, § 3)

Effective Date: 11/19/1990
Applied Date: 7/1/1990

Objective: Ensures receipts from sales, renting or leasing of certain commercial trucks, and their repairs, are excluded from the tax imposed by the New Jersey Sales and Use Tax Act.

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 car.

23 Commercial Trucks Used for Interstate Travel

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

Effective Date: 7/1/1990

Objective: To exclude receipts from sales, renting or leasing of, certain truck tractors, tractors, semitrailers, and certain other vehicles, which are operated actively and exclusively for the carriage of interstate freight, from tax under the "Sales and Use Act."

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.

24 Concession Stand Sales: State-Owned Veterans Facilities

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

Effective Date: 8/31/2003

Objective: This bill revises the State's Sales and Use Tax to conform to various provisions of the multi-state Streamlined Sales and Use Tax Agreement (SSUTA). The changes are intended to simplify and modernize the State's tax collection and administrative procedures and to ensure New Jersey remains compliant with the provisions of the SSUTA.

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

25 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 **2021 Estimate:** $236,500,000

Objective: To stipulate that the "sale 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.

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.

Data: Sales & Use Tax by Business Code 1988-2012.

Reliability: 3 Based on data files of incomplete or unverified information from actual tax returns.

26 Diabetic Supplies

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

Effective Date: 12/19/2008

Objective: To allow tax exemptions for those in need of certain medical supplies and equipment. Also for reasons of compliance with the Streamlined Sales and Use Tax

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

Effectiveness: New Jersey allows for the exemption of certain medical supplies, including diabetic supplies, to support the health and welfare of New Jersey citizens.

27 Dietary Supplements

Citation: N.J.S.A. 54:32B-8.2
Effective Date: 12/19/2008 **2021 Estimate:** $87,400,000

Objective: To exclude sales of food and food ingredients and dietary supplements sold for human consumption from the New Jersey Sales and Use Tax. This is effective as of December 19, 2009.

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 New Jersey Sales and Use Tax.

Data 2007 and 2012 Econ Census.

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

Effectiveness: New Jersey allows for the exemption of certain medical supplies, including dietary supplements, to support the health and welfare of New Jersey citizens.

28 Diplomats, Consulates and Foreign Embassies

Citation: N.J.S.A. 54:32B-9(a)(3)
Effective Date: 7/8/2006

Objective: To recognize the status of foreign embassy personnel and to afford them an exemption from the Sales and Use Tax on certain approved purchases.

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.

29 Direct Mail Advertising and Processing Services (as defined in N.J.S.A. 54:32B-3(b)(5))

Citation: N.J.S.A. 54:32B-3(b)(5) (P.L. 2008, Chapter 123)

Effective Date: 12/19/2008
Applied Date: 1/1/2009

Objective: The State's Sales and Use Tax has been revised to conform to various provisions of the multi-state Streamlined Sales and Use Tax Agreement (SSUTA). The changes are intended to simplify and modernize the State's tax collection and administrative procedures, and to ensure New Jersey continues to remain compliant with the provisions of the SSUTA.

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.

30 Disposable Household Paper Products

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

Effective Date: 7/15/1991 **2021 Estimate:** $90,000,000

Objective: To exclude sales of disposable household paper products, including towels, napkins, toilet tissues, cleaning tissues, diapers, paper plates and cups purchased for household use, from the tax imposed under the "Sales and Use Tax Act". This exclusion is effective as of July 15, 1991.

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

Data: Economic Census 2007 and New York State Tax Expenditure Report 2011-12.

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

31 Distribution of Certain Corporate Property

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

Effective Date: 12/19/2008

Objective: To define a distribution of property by a corporation to its stockholders as a liquidating dividend in the Streamlined Sales and Use Tax Agreement.

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.

Effectiveness: The distribution of corporate property may be subject to the Corporation Business Tax, and, as such, it is not subject to the Sales and Use Tax.

32 Durable Medical Equipment

Citation: N.J.S.A. 54:32B-8.1 (P.L. 1980, Chapter 105, § 13; amended 1982, Chapter 227, § 5; 1987, Chapter 383, § 1; 2005, Chapter 126, § 7; 2008, Chapter 123, § 6).

Effective Date: 12/19/2008

Objective: To exclude purchases of durable medical equipment including bath and shower chairs, bed pans, and raised toilet seats from subjectivity to tax under the New Jersey Sales and Use Tax Act.

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

Effectiveness: Durable medical equipment that improves the health and welfare of New Jersey citizens is not subject to tax when sold directly to the end customer.

33 Eggs, Fish, Meat and Poultry

Citation: N.J.S.A. 54:32B-3(c)(3)(i)(B) (N.J.A.C. 18:24-12.2)

Effective Date: 12/1/2008 **2021 Estimate:** $207,700,000
Applied Date: 12/1/2008

Objective: To define prepared food as two or more food ingredients mixed or combined by the seller for sale as a single item, but not including food that is only cut, repackaged, or pasteurized by the seller, and eggs, fish, meat, poultry, and foods containing these raw animal foods requiring cooking by the consumer. Also aligns with federal Food and Drug Administration regulations to prevent food borne illnesses.

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: From Consumer Expenditure Survey. Forecast using harmonic mean growth rate 2006-2011.

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

34 Electricity Sales, Exchanges and Delivery (as defined in N.J.S.A. 54:32B-8.46)

Citation: N.J.S.A. 54:32B-8.46 (L. 1997, Chapter 162, § 26, eff. Jan. 1, 1998; amended 1998, Chapter 114, § 4, eff. Oct. 28, 1998, retroactive to Jan. 1, 1998; 1999, Chapter 23, § 62, eff. Feb. 9, 1999; 2009, Chapter 240, § 3, eff. Jan. 16, 2010).

Effective Date: 1/16/2010 **2021 Estimate:** $13,600,000
Applied Date: 1/16/2010

Objective: The law requires that the Board of Public Utilities, when determining electric and natural gas rates, pass along to consumers all tax savings realized by utilities as a result of this bill. To encourage more competition and free market among electrical sales within municipal boundaries, and thus prevent the establishment of regulated monopolies.

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

Data: Government Finances-2002-2009 Extrapolated by Mean of Growths.

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

35 Electronically Delivered Software for Business Use

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

Effective Date: 12/19/2008

Objective: To ensure that business software purchases, critical to commerce, are not subject to the Sales Tax.

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

36 Employer Provided Parking

Citation: N.J.S.A. 54:32B-3(i) (P.L. 2007, Chapter 105)

Effective Date: 6/28/2007
Applied Date: 7/1/2008

Objective: To ensure that certain employer-provided parking benefits are not subject to Sales Tax.

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

37 Energy and Utility Service

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

Effective Date: 5/10/2007

Objective: To reduce the costs of certain energy production by utilities.

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, Chapter 4, as of April 1, 1997, or currently or formerly subject to taxation pursuant to P.L. 1940, Chapter 5, for their own use and consumption, are exempt from the tax imposed under the Sales and Use Tax Act.

38 Equipment for Printing and Publishing

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

Effective Date: 3/1/1986

Objective: To allow for receipts from sales of machinery and equipment used by businesses engaged in commercial printing, and certain other publishing activities to be excluded from taxation under the New Jersey Sales and Use Tax Act.

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.

39 Equipment Used on Boats or Ships

Citation: N.J.S.A. 54:32B-8.12 (P.L. 1980, Chapter 105, § 24; amended 1981, Chapter 218, § 1; 1988, Chapter 53; 1999, Chapter 273).

Effective Date: 11/24/1999

Objective: One of a number of shipping-related exemptions in the Sales Tax statute, the intent of which is to reduce costs in the maritime industries.

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.

40 Exempt Organizations: State of New Jersey and Its Agencies

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

Effective Date: 7/8/2006 **2021 Estimate:** $392,000,000

Objective: In order to ensure that the business of governmental entities is conducted in the most cost-efficient manner possible for the benefit of taxpayers, purchases by government are not subject to Sales and Use Tax.

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.

Data: State and Local Government Finances 2004-2018 Extrapolated by Harmonic Mean.

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

41 Exempt Organizations: Parent-Teachers Associations

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

Effective Date: 11/9/1998

Objective: To ensure that parent-teacher organizations purchasing items for the use of such organizations are not subject to Sales and Use Tax.

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.

42 Exempt Organizations: United Nations

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

Effective Date: 7/8/2006

Objective: To ensure that the United Nations, an international organization which counts the United States among its members, is not burdened by Sales Tax subjectivity to purchases it makes, nor the requirement for the collection of Sales Tax on certain sales it makes.

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.

43 Exempt Organizations: United States of America

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

Effective Date: 7/8/2006 **2021 Estimate:** $337,400,000

Objective: The State exempts the federal government on purchases it makes from the burden of Sales and Use Tax subjectivity and also from the requirement of Sales Tax collection on certain sales it makes.

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.

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

44 Farm Machinery and Apparatus (as defined in N.J.S.A. 54:32B-8.16)

Citation: 54:32B-8.16

Effective Date: 1/8/1988 **Applied Date:** 1/8/1988

Objective: To update the "farm use" Sales Tax exemption to reflect the changing nature of the agricultural sector of the New Jersey economy and to remove the restriction on the Sales Tax exemption for farmer's purchases of property that is incorporated into buildings or structures.

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.

45 Farm Vehicles and Vehicle Repairs

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

Effective Date: 11/19/1990

Objective: To exclude receipts from sales, renting or leasing of certain truck tractors, tractors, semitrailers, and vehicles used in combination therewith, which are registered in New Jersey from tax under the "Sales and Use Act".

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 (now Motor Vehicle Commission) for farm use.

46 Feminine Hygiene Products

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

Effective Date: 12/19/2008 **2021 Estimate:** $6,500,000

Objective: These necessary personal hygiene items have been long determined to be exempt from the tax.

Description: An exemption is provided for feminine hygiene products such as tampons, sanitary napkins and panty liners.

Data: Statista US Sales 2011/2012 *www.statista.com/statistics/192658/us- tampon-sales-via-different-sales-channels-in-2011-and-2012.*

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

47 Ferryboats Carrying Passengers (as defined in N.J.S.A. 54:32B-8.12)

Citation: N.J.S.A. 54:32B-8.12 (P.L. 1980, Chapter 105, § 24; amended 1981, Chapter 218, § 1; 1988, Chapter 53; 1999, Chapter 273, eff. Nov. 24, 1999)

Effective Date: 7/8/1988
Applied Date: 7/8/1988

Objective: To exclude receipts from sales or charges for repairs, alterations or conversion of ferryboats that are primarily engaged in the transportation of passengers during peak hours of commutation from the tax imposed under the Sales and Use Tax Act.

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

48 Films, Records and Tapes Used in Radio and Television

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

Effective Date: 9/11/1980

Objective: To allow receipts from sales of films, records, tapes or any type of visual or sound transcriptions not used for advertising purposes exclusion from the tax imposed under the Sales and Use Tax Act.

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.

49 Firearm Safety Locks

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

Effective Date: 12/1/1999

Objective: To encourage responsibility in firearm ownership by relieving owners of liability for Sales Tax on their purchases of firearm safety locks and other devices that enable the firearm to be made inoperable by anyone other than an authorized person.

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.

50 Firearm Storage Vaults

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

Effective Date: 12/1/1999 **2021 Estimate:** $6,500,000

Objective: To ensure a place of secure storage for firearms and to prevent tragic events caused by firearms from occurring through affording lawful firearm owners with an effective means of storing their firearms in a place that, while convenient to the owner, is inaccessible to a child, intruder or anyone else that the owner would wish to exclude from access to firearms.

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

Data: US Census Bureau 2015 Population Estimates; Business Insider, July 2105; Sportsmanguide.com

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

51 Flag Sales (American and New Jersey State)

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

Effective Date: 9/11/1980
Applied Date: 9/11/1980

Objective: To exempt receipts from sales of the flag of the United States of America and of the flag of the State of New Jersey from the tax imposed under the Sales and Use Tax Act.

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.

52 Food and Drink for Airline Passengers

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

Effective Date: 12/19/2008

Objective: To ensure that food purchased for consumption by airline passengers in flight, in whatever air space it is consumed is not subject to Sales Tax.

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

53 Food and Food Ingredients

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

Effective Date: 12/19/2008 **2021 Estimate:** $1,159,700,000

Objective: The State's Sales and Use Tax laws have been revised to conform with various provisions of the multi-state Streamlined Sales and Use Tax Agreement (SSUTA). The changes are intended to simplify and modernize the State's tax collection and administrative procedures, and to ensure New Jersey remains compliant with the provisions of the SSUTA.

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

Data: 2006 & 2011 Consumer Expenditure Survey

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

54 Food Purchased With Food Stamps

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

Effective Date: 9/11/1980 **2021 Estimate:** $50,200,000

Objective: To clarify that "sales price" does not include the amount for which food stamps have been used for full or partial payment. Clearly, the eligibility for and use of food stamps is indicative of economic hardship.

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

Data: SNAP data from the USDA, Food & Nutrition Service for 2016 projected out to 2018.

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

55 Food Sold by a Manufacturer

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

Effective Date: 12/19/2008

Objective: Unlike many states, New Jersey exempts most sales of unprepared food for use for human consumption from the Sales Tax, including food sold by manufacturers thereof.

Description: Food sold by a seller who is a manufacturer is exempt from New Jersey Sales Tax.

56 Food Sold in an Unheated State

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

Effective Date: 12/19/2008

Objective: Unlike many other states, New Jersey exempts most unprepared food sold for human consumption, including food sold in an unheated state.

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.

57 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

Objective: The State's Sales and Use Tax has been revised to conform to various provisions of the multi-state Streamlined Sales and Use Tax Agreement (SSUTA). The changes are intended to simplify and modernize the State's tax collection and administrative procedures, and to ensure New Jersey remains compliant with the provisions of the SSUTA.

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

58 Garbage Removal and Sewer Services (as defined in N.J.S.A. 54:32B-3(b)(4))

Citation: N.J.S.A. 54:32B-3(b)(4) (P.L. 1967, Chapter 25)

Effective Date: 4/16/1967 **2021 Estimate:** $38,000,000

Applied Date: 5/1/1967

Objective: To exclude garbage removal and sewer services performed on a regular contractual basis for a term not less than 30 days from subjectivity to the New Jersey Sales and Use Tax.

Description: Garbage removal and sewer maintenance services performed on a regular contractual basis for a term not less than 30 days is exempt from the Sales and Use Tax.

Data: 2007 Economic Census data.

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

59 Garment Services

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

Effective Date: 12/19/2008

Objective: The sale of most clothing and footwear, other than certain specialty items, is not subject to Sales Tax. This exemption ensures that certain garment services are also provided without the payment of the tax.

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

60 Gas, Water, Steam and Fuel in Containers and Bulk

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

Effective Date: 6/1/1998

Objective: This ensures that utilities' sales, including the unbundling of energy products and services is provided at as low cost as possible, advancing competitiveness.

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.

61 Gold and Silver

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

Effective Date: 9/11/1980

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

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.

62 Government-Owned Ships and Other Vessels

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

Effective Date: 11/24/1999

Objective: To further clarify that the Sales Tax is not imposed on various purchases by the State and federal government, including these vessels.

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

63 Hotel Occupancy by a Permanent Resident

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

Effective Date: 12/19/2008

Objective: This exemption attempts to differentiate between short-term rentals and more permanent ones by allowing rentals of 90 days or more freedom from taxation.

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.

64 Human Blood and Its Derivatives

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

Effective Date: 12/19/2008

Objective: This exemption is a part of the large body of medically related tax exemptions. Many medical procedures and relates cervices are exempt to the end consumer of those services.

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

65 Imprinting Services

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

Effective Date: 1/12/1998

Objective: The Act provides a Sales Tax exemption for imprinting services performed on production machinery.

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

66 Inconsequential Tangible Personal Property

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

Effective Date: 12/19/2008

Objective: The Sales Tax is assessed on the sale of tangible personal property and certain related services to that property to end consumers. Most professional, insurance and personal services are not subject to tax in that they do not transfer tangible

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.

67 Initiation Fees and Membership Dues: Exempt Entity Operated

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

Effective Date: 12/19/2008

Objective: The Act does not subject to tax membership dues and related charges made to patrons of nonprofit-operated health and fitness clubs.

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.

68 Initiation Fees and Membership Dues: Youth Membership

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

Effective Date: 7/1/2007

Objective: To extend the benefits of health and fitness and related organizations to our youth, the charges therefor are not subject to Sales Tax.

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.

69 Interest, Financing, and Carrying Charges

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

Effective Date: 12/19/2008

Objective: Most intangible services, including various financing charges, are not subject to tax as the tax is generally imposed on the sales of tangible personal property and related services to that property.

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.

70 Internet Access Service

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

Effective Date: 12/19/2008 **2021 Estimate:** $498,200,000

Objective: This bill revises the State's Sales and Use Tax to conform to various provisions of the multi-state Streamlined Sales and Use Tax Agreement (SSUTA). The changes are intended to simplify and modernize the State's tax collection and administrative process.

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

Data: Internet and Satellite Access Charges from Service Annual Survey Information & NY Tax Expenditure Report.

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

71 Laundry and Dry Cleaning Services for Clothing

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

Effective Date: 12/19/2008 **2021 Estimate:** $33,100,000

Objective: Generally, the sale of most clothing and footwear, other than certain specialty items, is not subject to the Sales Tax. This exemption ensures that the laundering and/or dry cleaning of those items also remains exempt.

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

Data: 2007 and 2012 Economic Census.

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

72 Limousine Services - Funerals

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

Effective Date: 12/19/2008

Objective: Generally, the transportation of persons or property is not subject to the Sales Tax; this exemption ensures that limousine transportation is treated in a like manner.

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

73 Limousines and Limousine Repairs

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

Effective Date: 5/10/2001

Objective: As the transportation services provided by limousines are exempt from tax, the repairs of the vehicles providing such transportation are likewise tax exempt.

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.

74 Locomotives, Railroad Cars and Other Railroad Rolling Stock

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

Effective Date: 9/11/1980

Objective: To exclude 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 from the tax imposed under the Sales and Use Tax Act.

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.

75 Newspapers, magazines, periodicals, certain, exemptions from tax

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

Effective Date: 7/8/2006

Objective: This exemption has been in effect since the tax was enacted.

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

76 Marine Terminal Facility Equipment and Apparatus (as defined in N.J.S.A. 54:32B-8.12)

Citation: N.J.S.A. 54:32B-8.12 (P.L. 1980, Chapter 105, § 24; amended 1981, Chapter 218, § 1; 1988, Chapter 53; 1999, Chapter 273, eff. Nov. 24, 1999).

Effective Date: 11/24/1999
Applied Date: 11/1/1996

Objective: To provide economic incentives for the shipping industry, receipts from sales or charges for repairs, alterations or conversion of commercial ships or any component thereof including cargo containers of any type whatsoever, barges and other vessels of 50-ton burden or over, primarily engaged in interstate or foreign commerce, machinery, apparatus and equipment for use at a marine terminal facility in loading, unloading and handling cargo carried by those commercial ships, barges and other vessels and certain other related equipment are not subject to the New Jersey Sales and Use Tax Act (N.J.S.A. 54:32B-1 et seq.).

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.

77 Marine Terminal Services (as defined in N.J.S.A. 54:32B-8.12)

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

Effective Date: 11/24/1999

Objective: To provide economic incentives for the shipping industry, receipts from sales or charges for repairs, alterations or conversion of commercial ships or any component thereof including cargo containers of any type whatsoever, barges and other vessels of 50-ton burden or over, primarily engaged in interstate or foreign commerce, machinery, apparatus and equipment for use at a marine terminal facility in loading, unloading and handling cargo carried by those commercial ships, barges and other vessels and certain other related equipment are not subject to the New Jersey Tax Sales and Use Tax Act (N.J.S.A. 54:32B-1 et seq.).

Description: Storage and other services rendered with respect to loading, unloading and handling cargo at a marine terminal facility are exempt from the Sales Tax.

78 Massage Therapy Services (as defined in N.J.S.A. 54:32B-3(b)(9))

Citation: N.J.S.A. 54:32B-3(b)(9) (P.L. 2008, Chapter 123)

Effective Date: 12/19/2008 **2021 Estimate:** $7,400,000

Applied Date: 1/1/2009

Objective: To provide an individual with massage, bodywork or somatic services tax free in order to treat a physical aliment or another purpose prescribed by a doctor.

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

Data: American Massage Therapy Association survey data and BEA data.

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

79 Medical Oxygen

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

Effective Date: 12/19/2008

Objective: The majority of medically necessary items designed to alleviate human suffering have been exempt since the tax was enacted in 1966.

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

80 Membership Periodicals

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

Effective Date: 7/8/2006

Objective: This exemption demonstrates State support of the distribution of otherwise-taxable periodicals to members of nonprofit organizations in an effort to reduce administrative burdens to those organizations and to reduce costs to their members.

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

81 Milk Sales by Coin-Operated Vending Machine

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

Effective Date: 12/19/2008

Objective: Sales of milk have been included in exempt food sales since the tax was enacted in 1966. This exemption ensures that purchases of milk remain tax-exempt regardless of whether sold at a retail outlet or through a vending machine.

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

82 Mobility Enhancing Equipment

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

Effective Date: 12/19/2008

Objective: Mobility enhancement equipment is tax exempt in the same manner as other tangible personal property furnished to end consumers as medically necessary items intended for the alleviation of human suffering.

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.

83 Motor, Airplane and Railroad Fuels

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

Effective Date: 9/11/1980 **2021 Estimate:** $835,500,000

Objective: These fuels, dependent on their use, may be subject to State motor fuels taxation.

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

Data: Source: US Energy Information Administration, *www.eia.gov/petroleum/data.cfm#consumption*

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

84 Municipal Parking Charges

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

Effective Date: 12/19/2008 **2021 Estimate:** $10,800,000

Objective: The majority of services provided to the users of government services have been tax exempt since the tax was enacted in 1966. This exemption provided that benefit to parking facilities so operated.

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

Data 2007 & 2012 State and Local Governmental Finance, US Census Bureau, Local Government Parking Charges.

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

85 Newspapers

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

Effective Date: 7/8/2006

Objective: The sale of newspapers has been exempt since the tax was enacted in 1966.

Description: The sales of newspapers are exempt from Sales Tax.

86 Non-Reimbursed Discounts

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

Effective Date: 12/19/2008

Objective: Discounted items for which the seller is not reimbursed by a third party are seen as actual reduction in the sales price subject to tax. Items where the discounted price is due to a third-party reimbursement (normally provided by transfer of the customer coupon received by the retailer to the third party) are taxed at the price which includes the reimbursed amount.

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

87 Out-of-State Sales

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

Effective Date: 9/11/1980

Objective: New Jersey's Sales and Use Tax is a transaction tax and it is imposed on all sales of taxable tangible personal property made within this State. Sales to out-of-state end consumers are subject to the laws of that state or jurisdiction.

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

88 Over-the-Counter Drugs

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

Effective Date: 12/19/2008 **2021 Estimate:** $80,100,000

Objective: The sales of over the counter drugs are included under the general exemption of medically necessary items sold to end consumers to alleviate human suffering.

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: Economic Census 2002-2007.

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

89 Parking Charges Subject to Other Taxes

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

Effective Date: 12/19/2008

Objective: Parking charges subject to other taxes, such as municipal taxes, are not subject to State Sales Tax to ensure against double taxation of these services.

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.

90 Parking Charges Subject to the Atlantic City Parking Fee

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

Effective Date: 12/19/2008

Objective: Parking charges subject to other taxes, such as municipal taxes, are not subject to State Sales Tax to ensure against double taxation of these services.

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.

91 Participatory Sporting Activities

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

Effective Date: 12/19/2008 **2021 Estimate:** $138,200,000

Objective: The exemption from tax is related to the participatory nature of the sport, as opposed to mere admission charges for viewing an event, which are generally subject to tax.

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

Data: Economic Census 2002-2007.

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

92 Partnership Distributions (as defined in N.J.S.A. 54:32B-(2)(e)(4)(D))

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

Effective Date: 12/19/2008

Objective: To clarify that distribution of property by a partnership to its partners in liquidation is not considered to be a sale for Sales and Use Tax purposes, and therefore is not be taxed.

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.

Effectiveness: Partnership distributions are subject to tax under the Gross Income Tax Act (N.J.S.A. 54A:1-1 et seq., and therefore are not subject to Sales and Use Taxes.

93 Prepared Food Delivered to Homebound

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

Effective Date: 12/19/2008

Objective: In general, prepared food is subject to the Sales Tax, however this exemption recognizes that nonprofits that are providing direct social services to elderly residents of New Jersey need not be burdened with additional costs.

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 nonprofit food service project are exempt from Sales Tax.

94 Prescribed Drugs and Medications

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

Effective Date: 12/19/2008 **2021 Estimate:** $911,500,000

Objective: The general medical exemption for medication and related items provided to end consumers to alleviate human suffering encompasses prescribed medications.

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: Using 2002 and 2007 Economic Census, Merchandise Line Sales: Prescriptions New Jersey.

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

95 Printed Advertising Material Delivered Out-of-State

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

Effective Date: 12/19/2008

Objective: This exemption follows the general rule that items shipped out of state for use out of state are subject to the laws of that state, and not to the New Jersey Sales and Use Tax.

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.

96 Private Services to a Homeowner

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

Effective Date: 12/19/2008

Objective: Services to homeowners rendered by individuals hired to provide services to the home of that homeowner have been exempt from the tax since it went into effect in 1966.

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 or her residence and who is not in a regular trade or business offering his or her services to the public.

97 Production Machinery

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

Effective Date: 1/8/2002

Objective: Machinery used directly in the production of items for eventual sale to end consumers has been exempt since the tax went into effect in 1966. Tax will be assessed on taxable tangible personal property sold to end consumers. Exemption of the machinery which produces taxable items avoids taxing previously-assessed Sales Tax, as some small portion of the cost of the machine may be included in the total cost of the product as sold at retail.

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.

98 Property Contributed Towards Partnership Interest

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

Effective Date: 12/19/2008

Objective: Partners' contributed capital, combined with earnings and other income and expense items, comprises the total value of the partnership ascribed to each individual partner based on the specifics of his or her participation and the partnership agreement itself. The sale of that partner's interest may result in a capital gain subject to State Income Tax. The Sales Tax is assessed on tangible personal property and certain enumerated services. Partnership earnings are Intangible.

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.

99 Property Purchased for Film or Video Productions

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

Effective Date: 12/1/1999 **2021 Estimate:** $4,600,000

Objective: To encourage the expansion of the commercial production of motion pictures and videos in New Jersey.

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.

Data: New Jersey Motion Picture & Television Commission.

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

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

100 Property Used in Research and Development or Laboratory Sense

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

Effective Date: 12/19/2008

Objective: Since the Sales Tax law went into effect in 1966, the purchase of property used in research and development has been exempt from tax.

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

101 Prosthetic Devices

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

Effective Date: 12/19/2008 **2021 Estimate:** $58,600,000

Objective: Prosthetic devices fall within the meaning of the general exemption for medically necessary items purchased by end consumers for the alleviation of human suffering.

Description: The sale of prosthetic devices, including repair parts and replacement parts, is exempt from Sales Tax.

Data: Global Industry Analysts and Census Bureau.

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

102 Protective Work Equipment

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

Effective Date: 12/19/2008

Objective: Although the vast majority of clothing and footwear items are exempt from tax, certain specialty clothing is taxable. This exemption ensures that equipment which is designed to safeguard the health of workers is not taxed as specialty clothing.

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

103 Public Passenger Buses

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

Effective Date: 1/18/1992

Objective: Purchases of motor vehicles are generally subject to tax when those purchases are made by end consumers. This exemption ensures that the purchase of buses used for public transportation is not burdened by taxation.

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.

104 Purchases for Resale

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

Effective Date: 12/19/2008 **2021 Estimate:** $5,174,700,000

Objective: One of the basic tenets of the Sales Tax laws in this State is that tax is levied on the purchase of taxable goods and services by end consumers. All purchases for resale, whether they are finished goods acquired for retail sale or work in process acquired by manufacturers to finish or add value to the product, such purchases are not subject to tax as the final sale of the finished good to an end consumer, reflecting all added value, will be taxed.

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

Data: Wholesale and Construction Exemptions in Sales Tax Reports.

Reliability: 3 Based on data files of incomplete or unverified information from actual tax returns.

105 Radio and Television Programming Services

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

Effective Date: 12/19/2008

Objective: A number of broadcast services and related purchases have been made tax exempt in order to support media-related industry.

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

106 Recycling Equipment Purchases (as defined in N.J.S.A. 54:32B-8.36)

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

Effective Date: 10/1/2005 **2021 Estimate:** $8,700,000

Objective: To ensure that recycling equipment, which provides environmental benefits, is not subject to the tax.

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.

Data: Institute for Scrap Recycling Industries - *www.isri.org/.../isri_study_fnl.pdf*

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

107 Rental of Tangible Personal Property to Related Parties

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

Effective Date: 8/1/2003

Objective: These rentals are not considered to be arms-length, end user transactions, so the tax is not levied thereon.

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.

108 Repairs to Certain Aircraft

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

Effective Date: 1/1/2000

Objective: In support of passenger airline service, the law exempts replacement parts and repair services directly related to larger aircraft.

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.

109 Resale of Taxable Services

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

Effective Date: 12/19/2008 **2021 Estimate:** $353,800,000

Objective: The resale of otherwise-taxable services is treated in an identical manner to the resale of otherwise taxable goods; these transactions are exempt from tax. The Sales Tax in New Jersey is levied on the sale, to end consumers of taxable tangible personal property and certain taxable services.

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

Data: Division of Taxation Reports 2010-2014

Reliability: 3 Based on data files of incomplete or unverified information from actual tax returns.

110 Residential Home Heating System Services (as defined in N.J.S.A. 54:32B-3(b)(4))

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

Effective Date: 12/19/2008

Objective: This exemption is designed to reduce the cost of maintenance for residential heating systems serving very few residents.

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.

111 Residential Parking

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

Effective Date: 12/19/2008

Objective: The charges for parking, storing and/or garaging of a motor vehicle directly related to a taxpayer's personal residence are not subject to tax.

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

112 Sale-Leaseback Transactions

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

Effective Date: 10/1/2005

Objective: An arrangement where the seller of an asset leases back the same asset from the purchaser. In a leaseback arrangement, the specifics of the arrangement are made immediately after the sale of the asset, with the amount of the payments and the time period specified. Essentially, the seller of the asset becomes the lessee and the purchaser becomes the lessor in this arrangement. This type of transaction has both financial and tax-related benefits to the eventual lessee and lessor and is not a transaction subject to the Sales Tax.

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

113 Salem County Reduced Sales Tax

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

Effective Date: 7/8/2006 **2021 Estimate:** $4,300,000

Objective: There is a 50% reduction in the Sales Tax rate on certain otherwise fully taxable purchases within the entire county of Salem. This preferential tax treatment was enacted to allow for competitiveness with the state of Delaware which has no Sales Tax.

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

Data: Division of Taxation GENTS database.

Reliability: 3 Based on data files of incomplete or unverified information from actual tax returns.

114 Sales by a Mortician, Undertaker or Funeral Director

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

Effective Date: 9/11/1980

Objective: This exemption ensures that otherwise-taxable sales to the bereaved are not burdened by taxation.

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

115 Sales of Certain Aircraft

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

Effective Date: 1/1/2000

Objective: The Sales Tax law, in an effort to support the passenger airline industry, exempts the sales, replacement parts and repair costs for passenger aircraft.

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.

116 Sales of Property Held for Security

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

Effective Date: 12/19/2008

Objective: This bill revises the State's Sales and Use Tax to conform to various provisions of the multi-state Streamlined Sales and Use Tax Agreement (SSUTA). The changes are intended to simplify and modernize the State's tax collection and administrative procedures, and to ensure New Jersey remains compliant with the provisions of the SSUTA.

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.

117 School Textbooks

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

Effective Date: 10/1/2005 **2021 Estimate:** $5,400,000

Objective: The Sales Tax law has exempted textbooks from tax since the law became effective in 1966. In general, books, whether in physical form or delivered electronically, are taxable. This exemption recognizes the value of books for educational purposes.

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.

Data: Economic Census 2007-2012 Merchandise Line Sales.

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

118 Services Performed as an Employee

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

Effective Date: 12/19/2008

Objective: Wages, salaries and other forms of employee compensation are subject to income taxation in this State. They are not subject to the Sales Tax, avoiding double

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

119 Services Rendered by Certain Individuals

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

Effective Date: 12/19/2008

Objective: Like the treatment of casual sales, those otherwise-taxable services rendered by individuals not in the business of providing such services are not subject to the Sales Tax.

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

120 Services to Exempt Medical Equipment

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

Effective Date: 12/19/2008

Objective: In general, if the sale of tangible personal property, such as exempt medical equipment, is not subject to the Sales Tax, then services, repairs and/or alterations to that property is also exempt.

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

121 Sewing Materials

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

Effective Date: 12/19/2008 **2021 Estimate:** $7,700,000

Objective: In general, clothing and footwear for human use, other than certain specified specialty items, is exempt from tax. The law provides that the materials which are incorporated into normally exempt clothing are also exempt.

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.

Data: 2007 and 2012 Economic Census.

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

122 Shoe Repairs

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

Effective Date: 12/19/2008

Objective: In general, footwear for human use, other than certain specified specialty items, is not subject to the Sales Tax. These services, which preserve, enhance or extend the useful life of footwear are also exempt.

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

123 Solar Energy Devices and System Components

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

Effective Date: 9/11/1980 **2021 Estimate:** $20,900,000

Objective: To support the solar energy industry, these approved energy-generation systems have been made tax exempt. Qualifications for exemptions are determined by standards set by The Division of Energy Planning and Conservation.

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.

Data: Solar Energy Industry Association and 2007 Economic Census, US Census Bureau

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

124 Storage of Property Held for Sale

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

Effective Date: 12/19/2008

Objective: The storage of tangible personal property, whether that of an individual or business entity is not subject to the tax.

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.

125 Tax Exempt Organizations: National Guard and War Veteran Posts

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

Effective Date: 7/8/2006

Objective: In support of organizations which themselves promote or support our veterans, services provided by these organizations are exempt from tax.

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.

126 Tax Exemption for Certain Fishing Vessels and Equipment

Citation: N.J.S.A. 54:32B-8.12 (P.L. 1980, Chapter 105, § 24; amended 1981, Chapter 218, § 1; 1988, Chapter 53; 1999, Chapter 273)

Effective Date: 11/24/1999

Objective: The harvesting of fish, shellfish and other crustaceans and aquatic organisms has been determined to be an important economic activity in this State, therefore the sale of vessels for use directly and primarily within this industry is not subject to tax.

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.

127 Taxes Imposed on the Consumer

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

Effective Date: 7/2/2005

Objective: When an invoice separately lists taxes imposed on the sale of tangible personal property, the Sales Tax is only charged on the property itself, to avoid the payment of tax on other taxes.

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 consumer's telecommunications services.

128 Transfer of Property for Corporate Stock

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

Effective Date: 12/19/2008

Objective: The transfer of property for consideration, as in the receipt of the stock of that corporation is deemed to be an acquisition of an ownership interest in the corporation. Shares of stock are intangible ownership rights and therefore not subject to tax.

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.

129 Transfer of Property to a Corporation

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

Effective Date: 12/19/2008

Objective: The transfer of property for consideration, as in the receipt of the stock of that corporation is deemed to be an acquisition of an ownership interest in the corporation. Shares of stock are intangible ownership rights and therefore not subject to tax.

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.

130 Transportation Charges Exemption

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

Effective Date: 7/8/2006

Objective: As described above, most transportation charges for persons and property have long been exempt from the Sales and Use Tax.

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.

131 Urban Enterprise Zone Exempt Business Purchases

Citation: N.J.S.A. 52:27H-79 (P.L. 1983, Chapter 303, § 20; amended 1990, Chapter 40, § 9; 1997, Chapter 162, § 31; 2006, Chapter 34, § 1, eff. July 15, 2006; 2007, 328, § 1, eff. Jan. 13, 2008; 2008, Chapter 118, § 1)

Effective Date: 12/17/2008 **2021 Estimate:** $162,000,000

Objective: Urban Enterprise Zones, of which there are currently 27 in 32 cities, are a designated portion of a city or town where it has been deemed that it is a public purpose to stimulate economic activity. A great variety of face-to-face sales made at business locations within these designated areas are subject to 50% of the current Sales Tax rate. The law provided certain advantages for hiring local citizens as well. This exemption permits those urban enterprise zone-located businesses to purchase items for the use of the business within that location without payment of the Sales tax.

Description: The enactment of P.L. 2011, Chapter 28 concluded the 100% Sales and Use Tax exemption for UEZ businesses on purchases of tangible personal property and services for exclusive use at their UEZ location.

Data: New Jersey Department of Community Affairs, UEZ Authority internal records

Reliability: 3 Based on data files of incomplete or unverified information from actual tax returns.

132 Urban Enterprise Zone Special Sales Tax Rate

Citation: N.J.S.A.52:27H-80 (P.L. 1983, Chapter 303, § 21; amended 1987, Chapter 135; 1988, Chapter 93, § 6; 1990, Chapter 40, § 10; 1993, Chapter 144; 1993, Chapter 367, § 6; 1996, Chapter 124, § 8, eff. Nov. 6, 1996; 1997, Chapter 162, § 32, eff. Jan. 1, 1998; 2001, Chapter 347, § 9, eff. Jan. 6, 2002; 2011

Effective Date: 8/15/1983 **2021 Estimate:** $152,200,000

Applied Date: 8/15/1983

Objective: To allow for a reduced Sales Tax rate on certain purchases in designated Urban Enterprise Zones (UEZs) in order to stimulate economic activity in those areas. A UEZ is a designated area within a municipality which has suffered economic problems and meets certain other criteria. UEZs are created through legislation enacted by the State Legislature that provides for the designation of additional UEZs following a review of applications that are submitted by cities that meet the required criteria. Decisions are based upon the need of the city for economic development, the unemployment rate, the percentage of families on welfare, the potential benefits as demonstrated by the application, and other similar factors.

Description: Allows qualified businesses in a UEZ to collect Sales Tax at one-half the regular rate on the retail sale of goods other than motor vehicles, alcoholic beverages, cigarettes, manufacturing equipment, and energy. Currently there are 32 Urban Enterprise Zones.

Data: DORES Reports & UEZ Authority data

Reliability: 2 Based on a sample of verified tax returns.

133 Utility Equipment Purchases (as defined in N.J.S.A. 54:32B-8.13(b))

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

Effective Date: 7/14/1997

Objective: The Act provides a full Sales and Use Tax exemption for 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.

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.

134 Vessels of 50-Ton Burden or More (as defined in N.J.S.A. 54:32B-8.12)

Citation: N.J.S.A. 54:32B-8.12 (P.L. 1980, Chapter 105, § 24; amended 1981, Chapter 218, § 1; 1988, Chapter 53; 1999, Chapter 273)

Effective Date: 11/24/1999

Objective: One of a number of maritime industry-related exemptions provided within the law to promote and support intrastate and interstate commerce.

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

135 Volunteer Fire and Similar Emergency Companies' purchases (as defined in N.J.S.A. 54:32B-9(b))

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

Effective Date: 7/8/2006

Objective: To relieve volunteer fire companies and similar organizations, who perform public services at no cost to the State's taxpayers, from the added financial burden of the payment of Sales Tax on certain purchases made for the use of those organizations.

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.

136 Wrapping Supplies

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

Effective Date: 7/8/2006

Objective: Since the tax went into effect, such supplies, which are used to package tangible personal property for sale to end consumers, where such packaging does not add material value, have been exempt from tax. This provides for a reduced cost for such material.

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.

137 Zero Emission Vehicles

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

Effective Date: 1/14/2004 **2021 Estimate:** $11,100,000

Objective: There are stringent standards to be met, set by the Environmental Protection Administration, to attain the designation of 'zero-emission vehicle' and if a vehicle meets such standards, as the reduction of atmospheric pollutants helps to improve the quality of air.

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

Data: Motor Sources, Department of Environmental Protection.

Reliability: 1 Based on the population of verified tax returns.

Effectiveness: None available at this time

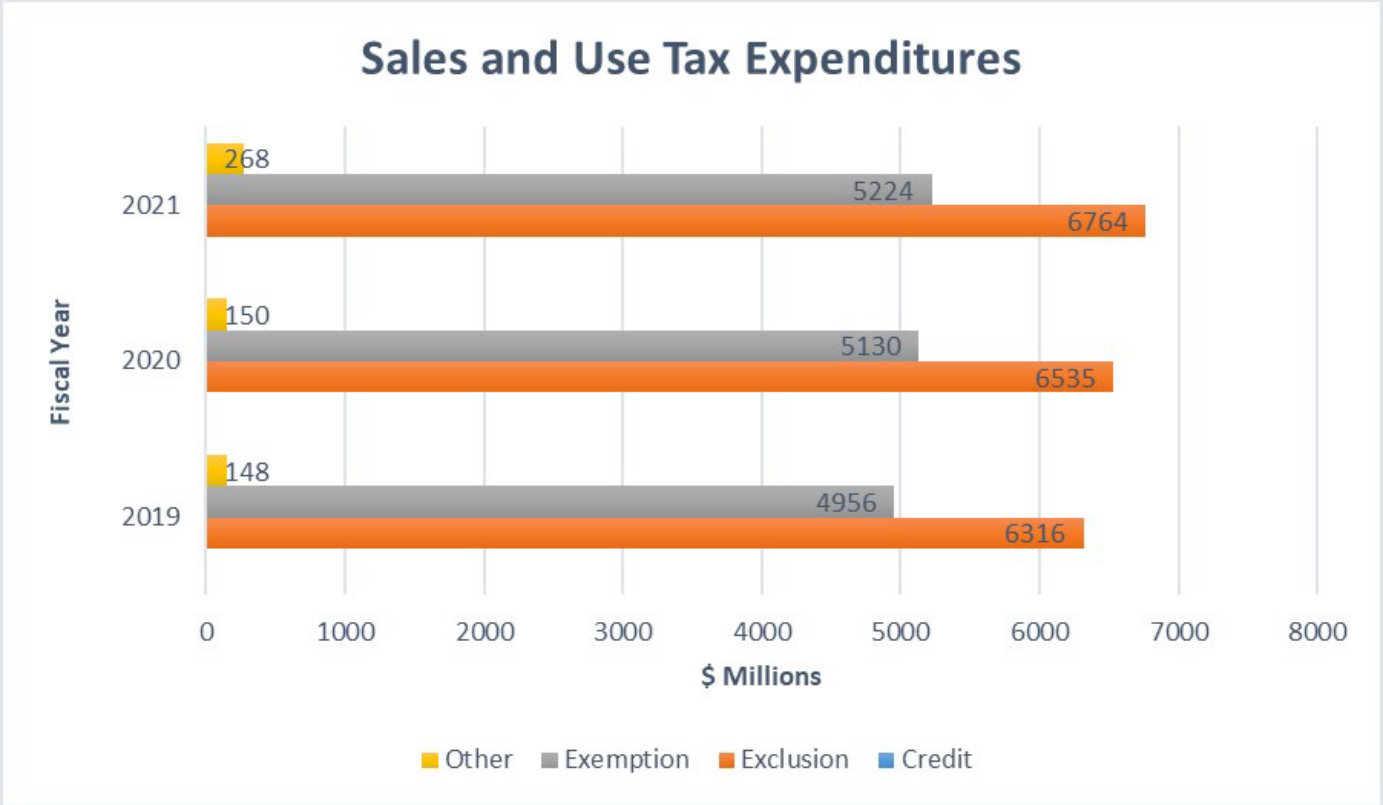
138 Partial Sales Tax Exemption for Boats and Other Vessels

Citation: N.J.S.A.;54:32B-4.2- 54:32B-6.1 et seq. (P.L. 2015, Chapter 170)

Effective Date: 2/1/2016
Applied Date: 1/1/2016

Description: This law provides a 50% Sales and Use Tax exemption on the sale of new and used boats and other vessels. The maximum amount of tax imposed cannot exceed $20,000. Residents who purchase boats outside of New Jersey may use the boat in this State for 30 days before incurring a use tax obligation. The law is effective immediately and the partial exemption applies to sales and uses on or after February 1, 2016. The grace period applies to uses on or after January 1, 2016.

Reliability: 3 Based on data files of incomplete or unverified information from actual tax returns.


Sales and Use Tax Expenditures
Fiscal Year
2021
2020
2019
268
5224
6764
150
5130
6535
148
4956
6316
0
1000
2000
3000
4000
5000
6000
7000
8000
$ Millions
Other
Exemption
Exclusion
Credit

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; non-stock 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, Chapter 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 million, the minimum tax is $1,500. For New Jersey gross receipts equal to or greater than $1 million, 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 million 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.
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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.

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

Recent History

P.L. 2018, Chapter 48 imposed a surtax on taxpayers with allocated taxable net income in excess of $1 million. The surtax equals 2.5% for tax years beginning on or after January 1, 2018 through December 21, 2019, and 1.5% for tax years beginning on or after January 1, 2020 through December 31, 2021. The law also changed the dividend exclusion for taxpayers who own 80% or more of the stock of a subsidiary. Under the law, a taxpayer may exclude 95%, as opposed to 100% as previously allowed, of the dividends received from the subsidiary. The law also mandated combined reporting for all companies that have common ownership and are engaged in a unitary business, where at least one of the companies is subject to the Corporation Business Tax.

The Corporation Business Tax 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 (P.L. 1884, Chapter 159).

There was no franchise tax on foreign corporations prior to 1936, when provision was made for an annual tax (P.L. 1936, Chapter 264). This tax was replaced in 1937 (P.L. 1937, Chapter 25) with a new franchise tax providing for allocation of capital stock of foreign corporations.

Effective January 1, 1946 (P.L. 1945, Chapter 162), 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 1.75% 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 (P.L. 1982, Chapter 55). 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 (P.L. 1958, Chapter 63)	1.75%
January 1, 1967 (P.L. 1966, Chapter 134)	3.25%
January 1, 1968 (P.L. 1968, Chapter 112)	4.25%
January 1, 1972 (P.L. 1972, Chapter 25)	5.5%
January 1, 1975 (P.L. 1975, Chapter 162)	7.5%
January 1, 1980 (P.L. 1980, Chapter 280)	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 (P.L.1985, Chapter 143, 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 (P.L. 1994, Chapter 3).

A jobs investment tax credit, enacted in 1993 (Chapter 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, Chapter. 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, Chapter 65. P.L. 1993, Chapter 175 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 (P.L. 1995, Chapter 245).

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 (P.L. 1997, Chapter 334), later modified by P.L. 1999, Chapter 140 and P.L. 2004, Chapter 65, and supplemented by a credit transfer program P.L. 2004, Chapter 65, the Small New Jersey Based High Technology Business Investment Tax Credit Act (P.L. 1997, Chapter 349), the carryforward of net operating losses under the Corporation Business Tax for certain taxpayers (P.L. 1997,

Chapter 350), the extension of the carryforward of the research and development tax credit (P.L. 1997, Chapter 351), and the Neighborhood and Business Child Care Tax Incentive Program (P.L. 1999, Chapter 102).

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

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

P.L. 2017, Chapter 221 provides increased tax credit amounts under Grow New Jersey Assistance Program for certain businesses that have collaborative research relationships with colleges or universities, which will be known as “Garden State Create Zones.

P.L. 2017, Chapter 225 appropriates $32.5 million from constitutionally dedicated Corporation Business Tax (CBT) revenues to the State Agriculture Development Committee for planning incentive grants to counties for farmland preservation purposes.

P.L. 2017, Chapter 226 appropriates $7.5 million from constitutionally dedicated Corporation Business Tax (CBT) revenues to the State Agriculture Development Committee for planning incentive grants to municipalities for farmland preservation purposes.

P.L. 2017, Chapter 313 revises tax credit transfer provisions for certain tax incentive programs and revises certain tax treatment of tax credit transfer certificates.

P.L. 2017, Chapter 314 extends document submission deadline under the Economic Redevelopment and Growth Grant Program, Grow New Jersey Assistance Program, and Urban Transit Hub Tax Credit Program.

A business applying for the credit prior to the effective date of the "New Jersey Economic Opportunity Act of 2013," P.L.2013, Chapter 161 will submit its documentation for approval of its credit amount no later than April 26, 2021. The credit amount for any tax period ending after July 28, 2021 during which the documentation of a business's credit amount remains uncertified shall be forfeited. A developer will apply for the credit prior to December 21, 2012 but may thereafter supplement an application. A developer will submit its documentation for approval of its credit amount no later than April 26, 2021. The developer of a qualified residential project seeking an award of credits towards the funding of its incentive grant will submit an incentive grant application prior to July 1, 2016 and if approved after September 18, 2013, the effective date of P.L.2013, Chapter 161 will submit a temporary certificate of occupancy for the project no later than July 28, 2021. A business which applied for the tax credit prior to July 1, 2014 under P.L. 2011, Chapter 149, will submit its documentation no later than July 28, 2019, indicating that

it has met the capital investment and employment requirements specified in the incentive agreement for certification of its tax credit amount.

P.L. 2017, Chapter 335 appropriates $1,737,902 from constitutionally dedicated Corporation Business Tax revenues to State Agriculture Development Committee for grants to certain nonprofit organizations for farmland preservation purposes.

P.L. 2017, Chapter 336 appropriates $7.5 million for constitutionally dedicated Corporation Business Tax revenues to State Agriculture Development Committee for county planning incentive grants for farmland preservation purposes.

P.L. 2017, Chapter 339 appropriates $500,000 from constitutionally dedicated Corporation Business Tax revenues to State Agriculture Development Committee for municipal planning incentive grant for farmland preservation purposes.

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 (P.L. 2002, Chapter 40) 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

P.L. 2002, Chapter 40 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.

P.L. 2002, Chapter 40 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, Chapter 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 non corporate 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, Chapter 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.

P.L. 1975, Chapter 170 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.

P.L. 1975, Chapter 171 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. P.L. 1978, Chapter 40 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 (P.L. 1996 Chapter 17). 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, Chapter 75), 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

P.L. 1973, Chapter 367, 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

The Business Tax Reform Act (P.L. 2002, Chapter 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.

P.L. 2002, Chapter 40 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.

The Economic Redevelopment and Growth Program (ERG)

Citation: N.J.S.A. 52:27D-489p

Effective Date: 9/18/2013 **2021 Estimate:** $63,900,000

Applied Date: 9/18/2013

Description: The Economic Redevelopment and Growth program (ERG) is an incentive for real estate development projects that have a financing gap, what the New Jersey Economic Development Act defines as having insufficient revenues to support the project debt service under a standard financing scenario. The incentive can also apply to projects that have a below-market development margin or rate of return. The ERG involves a "grant" of tax benefits offered on annual incremental State and local taxes for a period of up to 75% of the annual incremental State tax and/or local tax revenue or 85% if the company is located in a Garden State Growth Zone.

Reliability: 3 Based on data files of incomplete or unverified information from actual tax returns.

Grow New Jersey Assistance Program

Citation: N.J.S.A.34:1B-243

Effective Date: 9/18/2013 **2021 Estimate:** $328,100,000

Applied Date: 9/18/2013

Description: This program is administered by the Economic Development Authority (EDA). The program allows the EDA to grant tax credits to businesses that meet the eligibility qualifications of the grant program. The tax credit is applied against the business's Corporation Business Tax liability pursuant to N.J.S.A. 54:10A-5. The amount of the tax credit that exceeds the business's tax liabilities for the tax period can be carried forward for a period of 20 years, provided the total value of all credits awarded by the EDA do not exceed the yearly limit of $200,000,000 or $1,500,000,000 in the course of ten years, as set forth. Businesses that receive the tax credit can also apply for a benefit transfer certificate covering tax periods over one or more years in lieu of using the credits. The transfer certificate can be sold to another business that has Corporation Business Tax liabilities for consideration of an amount which is a minimum of at least 75% of the value of the tax credit transferred. The amount of a tax liability shall be subject to the same limitations and considerations that apply to the use of the credit by the business that originally received the credit.

Reliability: 1 Based on the population of verified tax returns.

Effectiveness:

1 60% of Investment Company Income

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

Effective Date: 4/13/1945
Applied Date: 1/1/1946

Objective: To exclude 60% of income earned by an investment company from the Corporation Business Tax, providing reduced exposure to taxation for income from these entities.

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.

Data: Division of Taxation Reports – TDW

Reliability: 3 Based on data files of incomplete or unverified information from actual tax returns.

2 96% of Real Estate Investment Trust/Regulated Investment

Citation: N.J.S.A. 54:10A-5(d)
Effective Date: 2/24/1983

Objective: To exclude 96% of net income of a Real Estate Investment Trust from the Corporation Business Tax, yielding 4% of their net income to assessed for tax. Also excludes 85% of the firm's net worth for tax. This treatment greatly reduces the tax consequences of the activities carried out by these entities.

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.

Data: TDW

Reliability: 3 Based on data files of incomplete or unverified information from actual tax returns.

3 Agricultural Co-Operatives

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

Effective Date: 1/10/1961

Objective: The nature of these businesses and the integral role that agriculture plays in our State were the driving forces behind this exemption from the tax.

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

Data: There are no agricultural co-ops. Department of Agriculture.

4 All Income of New Jersey S Corporations

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

Effective Date: 7/7/1993 **2021 Estimate:** $2,000,000,000

Objective: To give small businesses a tax break and prevent dual taxation. The statute provides a special Corporation Business Tax rate for businesses organized as S corporations under the federal tax code that have sought that same treatment for New Jersey purposes.

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

Data: Source: TDW, CBT100S

Reliability: 3 Based on data files of incomplete or unverified information from actual tax returns

5 AMA Tax Credit

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

Effective Date: 7/1/2002 **2021 Estimate:** $2,300,000

Objective: To provide that, if a taxpayer incurs an AMA (Alternative Minimum Assessment) liability in excess of the regular Corporation Business Tax (CBT) liability, the excess may be carried over to subsequent years and used as a credit against the regular CBT liability. The carryovers were designed never to expire. There are, however, limitations as to how much credit can be taken on any single return.

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, Chapter 165 (C.54:10A-5) for a privilege period, the taxpayer is 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, Chapter 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, Chapter 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, Chapter 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, Chapter 162 (C.54:10A-5).

Data: Division of Taxation Reports

Reliability: 1 Based on the population of verified tax returns.

6 Business Employment Incentive Program (BEIP)

Citation: N.J.S.A. 34:1B-124 (P.L. 1996, Chapter 26)

Effective Date: 5/9/1996 **2021 Estimate:** $177,800,000

Applied Date: 6/1/1996

Description: The Business Employment Incentive Program, codified at 34:1B-124 (P.L. 1996, Chapter 26) is one of the State's tools, jointly administered by the New Jersey Economic Development Authority and the New Jersey Division of Taxation, to promote job growth in New Jersey. Approved businesses receive annual cash grants based on the number of new jobs they have created in the State of New Jersey.

In order to qualify for a BEIP grant, businesses must create 25 new jobs within a two year period; emerging high technology and biotech companies' eligibility threshold is 10 new jobs. A business must also demonstrate that the BEIP grant is a "material" factor in moving the job expansion or relocation forward in New Jersey, and that it is economically viable.

The standard BEIP incentive is limited to 50% of the employees' State Income Taxes withheld on the newly created jobs; however companies that meet certain Smart Growth objectives can have their grants boosted to 80% . Qualifying businesses may be eligible for up to 10 years' worth of grants, though they must maintain the project and the jobs in New Jersey for at least 1.5 times the number of years the grant is in effect.

There are protections built into the program to ensure that grant recipients meet the strict criteria under which the grant was made (See N.J.S.A. 34:1B-132).

Businesses receiving assistance under the Business Retention and Relocation Assistance Grant program (P.L. 1996, Chapter 25) codified in N.J.S.A. 34:1B-112, et seq., may not receive assistance under this program without specific authorization from the State Treasurer.

The Business Employment Incentive Program statute was changed through P.L. 2015, Chapter 194, effective January 1, 2016. A business that is eligible to receive a grant under the Business Employment Incentive Program (BEIP) to direct the New Jersey Economic Development Authority (authority) to convert the grant to a refundable tax credit against its Corporation, Gross Income, or Insurance Premium Tax liability in an amount equal to the credit payment schedule provided in the bill. The direction to convert the grant to a tax credit is to be irrevocable. Approved tax credits may only be applied in the tax period for which they are issued and are not to be carried forward. If the credit exceeds the amount of tax liability otherwise due from a business that pays Corporation Business Taxes, the amount of excess is to be deemed an overpayment and the business is to receive a refund without interest

7 Business Income of Non-Profits

Citation: N.J.S.A. 54:10A-3€

Effective Date: 7/2/2002

Objective: The Corporation Business Tax is levied on for-profit entities organized under this State 's statutes or authorized to do business in this State if organized under the laws of another jurisdiction. Nonprofit organizations are organized as such and are statutorily not subject to taxation.

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 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.

8 Business Retention and Relocation Tax Credit

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

Effective Date: 7/1/2004 **2021 Estimate:** $6,800,000

Objective: These credits are authorized by the Economic Development Authority to assist businesses in retaining jobs in or locating jobs to New Jersey. Eligible businesses will be awarded a credit reflective of those retained or relocated to New Jersey.

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. The program expired on 12/31/2014.

Data: Lisa Coane, EDA

Reliability: 1 Based on the population of verified tax returns.

Effectiveness: Sample

9 Business Retention and Relocation Assistance Grants

Citation: P.L. 1996, Chapter 25, § 4, eff. May 9, 1996; amended 2004, Chapter 65, § 4, eff. June 30, 2004; 2007, Chapter 310, § 1, eff. Jan. 13, 2008; 2010, Chapter 123, § 3, eff. Jan. 6, 2011.

Effective Date: 5/9/1996 **2021 Estimate:** $6,800,000
Applied Date: 5/9/1996

Objective: The purpose of the program is to encourage economic development, preserve existing jobs, and stimulate new job activity in New Jersey.

Description: The Business Retention and Relocation Assistance Act (C.34:1B-112 et seq., was signed into law on May 9, 1996 and has been subsequently amended and expanded in scope. P.L 2004, Chapter 65 gave the State new tools in the effort to retain jobs under threat of leaving New Jersey. On January 13, 2008, the Business Retention and Relocation Assistance Act was amended by P.L. 2007, Chapter 310 (C.34:1B- 115), which reduced the program's eligibility threshold from 250 retained full-time jobs to 50 retained full-time jobs. Most recently, P.L. 2010, Chapter 123, signed into law January 6, 2011, expanded the definition of the "designated industries" eligible for the grant; expanded the job retention grant from a one-time $1,100 to $1,500 grant for the number of jobs retained to a six-year award, in the same amounts, based on the number of jobs retained, e.g., a six-year award of $1,500 per job retained, per year and allowed for an additional 50 percent bonus grant to be applied to any business that retains 2,000-plus jobs and invests double the amount they would receive in the tax credit. This would be on top of the existing $750 per job bonus grant currently available to businesses keeping 2,000-plus jobs in the state and created a "net benefit test," in which potential grant recipients must prove that the state would see a net benefit from providing the tax credit, i.e., the anticipated tax revenue must be greater than the credits awarded under BRRAG; required that businesses maintain the relocated jobs in New Jersey for five years from the last year tax credits were awarded, essentially requiring businesses to keep the jobs in the state for 11 years if they wish to receive the full amount of the tax credits. For businesses that do not comply, a clawback provision exists to allow the State to recapture the awarded tax credits; and allowed for a business to receive BRRAG awards even if it's not relocating, so long as the business makes a capital investment equal to or greater than the total value of the grants to be received.

The BRRAG Program is a one-time grant of Corporation Business Tax credits (or Insurance Premiums Tax credits as applicable) to businesses to assist them in retaining jobs and developing projects that relocate within the state. Additionally, an eligible business may be authorized to acquire certain materials without payment of Sales Tax. There are specific statutory criteria that must be met.

The amount of the grant for a business relocating between 50 and 499 fulltime employees can be up to $1,500 per job and is scored based on a number of factors, such as the type of industry, quality of the jobs, and consistency with New Jersey's Smart Growth policies. Businesses relocating 500 or more full-time workers are

eligible for a tax credit of $1,500 per job retained. Businesses relocating 2,000 jobs or more into a designated urban center can qualify for a "bonus grant" of 50% in addition to their base grant amount.

The BRRAG program caps the tax credits that can be issued during any single fiscal year in New Jersey at $20 million. Moreover, the credits issued to a business can be applied in the tax year issued or the tax year following issuance. The program rules also have a recapture or "claw back" provision for businesses that do not retain the necessary number of jobs for the agreed upon five-year period or that are otherwise in default according to the Project Agreement contract.

There are 5 components to the BRRAG program:
1. The Business Retention and Relocation Assistance Grant (BRRAG) Program;
2. The Sales and Use Tax Exemption (STX) Program;
3. The BRRAG Tax Credit Certificate Transfer Program (Transfer Program);
4. The Urban Enterprise Zone Energy Sales & Use Tax Exemption for Manufacturers Program; and
5. The Energy Sales Tax Exemption Program, Salem County.

10 Digital Media Production

Citation: N.J.S.A. 54:10A-5.39
Effective Date: 1/11/2008

Objective: In order to provide support to entities that are creating digital media content in New Jersey, 20% of the expenses directly related to the creation of such content are provided as a credit to reduce the digital media company's Corporation Business Tax liability.

Description: Allows for a credit equal to 20% of a company's 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 expired January 15, 2015.

11 Dividend Exclusion (50-80% owned)

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

Effective Date: 1/1/2002

Objective: Prior law excluded 100 percent of dividends received from companies in which the taxpayer has an ownership interest of 80 percent or more; and excluded 50 percent of all other dividends received. The Business Tax reform Act disallowed the deduction for dividends received from a corporation in which the taxpayer has less than a 50 percent ownership interest.

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.

Data: Division of Taxation Reports 2009-2011 Extrapolated Using the Mean.

Reliability: 3 Based on data files of incomplete or unverified information from actual tax returns

12 Dividend Exclusion (greater than 80% owned)

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

Effective Date: 1/1/2002

Objective: The Corporation Business Tax has, since its inception, provided for a deduction for dividends received. This ensures profits are not taxed twice.

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.

Data: Division of Taxation Reports 2007-2013 extrapolated using the mean.

Reliability: 3 Based on data files of incomplete or unverified information from actual tax returns

13 Economic Recovery Tax Credit

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

Effective Date: 6/30/2002 **2021 Estimate:** $0

Objective: To expand the economic development incentives provided by the "Municipal Rehabilitation and Economic Recovery Act," P.L. 2002, Chapter 43, to encourage more business organizations or a wider variety to locate in municipalities qualified under that Act. To increase the potential maximum amount of the incentive to a business under the "Qualified Municipality Open For Business Incentive Program" from 75% of the incentive payment to 100% of the incentive payment if the New Jersey Economic Development Authority determines that a particular business relocation or business expansion will more effectively contribute to the municipal rehabilitation and economic recovery in a distressed municipality.

Description: A taxpayer engaged in the conduct of business within a qualified municipality and that is not receiving a benefit under the "New Jersey Urban Enterprise Zones Act," P.L.1983, Chapter 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, Chapter162 (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, Chapter 231 (C.17:32-15) and N.J.S.A. 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, Chapter 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, Chapter 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 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.

14 Effluent Equipment Tax Credit

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

Effective Date: 7/1/2002 **2021 Estimate:** $0

Objective: To establish a credit against the corporation franchise tax (P.L. 1945, Chapter 162 C.54:10A-1 et seq.) for the purchase of treatment equipment that is used exclusively for the treatment of effluent from a wastewater treatment system.

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

Data: Division of Taxation Unpublished Data

Reliability: 1 Based on the population of verified tax returns.

15 Exceptions to Related Intangible Costs Expense Add Back

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

Effective Date: 7/2/2002 **2021 Estimate:**

Objective: To revise and update the Corporation Business Tax to close loopholes and limit certain tax benefits.

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.

Data: Division of Taxation Reports 2009-2010 Extrapolated Using Mean.

Reliability: 3 Based on data files of incomplete or unverified information from actual tax returns

16 Film Production Tax Credit

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

Effective Date: 1/12/2006 **2021 Estimate:** $85,000,000

Objective: To support and expand business opportunities to produce films in this State, a tax credit is provided to businesses under the Corporation Business Tax for certain qualified film production expenses incurred in New Jersey. The carry-forward provisions of the credit ensure that the entirety of allowable expenses may be used to reduce future tax liability.

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 expired January 15th, 2015.

Data: Division of Taxation Reports

Reliability: 1 Based on the population of verified tax returns.

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

17 HMO Assistance Fund Tax Credit

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

Effective Date: 4/6/2000 **2021 Estimate:** $1,635,000,000

Objective: To reimburse health care professionals and health care facilities, who were participating providers of HIP Health Plan of New Jersey, Inc. and American Preferred Provider Plan, Inc. on contractual obligations that were unpaid and were incurred prior to insolvency of those organizations.

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.

Reliability: 1 Based on the population of verified tax returns.

18 Lack of Throw Back **Citation:** N/A **Effective Date:**

Objective: The taxation of receipts based on physical presence allows for certain receipts to avoid taxation in any state.

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 throwback provision within its taxing statutes. Please note that there is no strict provision to account for the lack of a throwback.

Data: Division of Taxation Reports 2007-2008.

Reliability: 3 Based on data files of incomplete or unverified information from actual tax returns

19 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 **2021 Estimate:** $12,900,000

Objective: The purpose of the Manufacturing Equipment and Employment Investment Tax Credit is to offset the purchase of manufacturing equipment and to support the creation of new jobs. The law allows a Corporation Business Tax credit of 2 percent on the purchase price on new machinery or equipment during the first year of operation. For each of the next two years, a company could qualify for an additional credit of 3 percent by creating new jobs, capped at $1,000 per additional employee.

Description: A taxpayer shall be allowed a credit against the tax imposed pursuant to section 5 of P.L. 1945, Chapter 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, Chapter 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, Chapter 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.

Data: Division of Taxation Unpublished Data 2007-2011 extrapolated as a mean of reported numbers.

Reliability: 1 Based on the population of verified tax returns.

20 Neighborhood Revitalization State Tax Credit

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

Effective Date: 7/1/2002 **2021 Estimate:** $2,200,000

Objective: To create an incentive for businesses to invest in neighborhood revitalization and preservation projects sponsored by nonprofit corporations through the granting of a tax credit.

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 Corporation Business 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 approved assistance for more than one year, within the year in which payment was scheduled.

21 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

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

Data: Division of Taxation Reports 2006-2010 Extrapolated Using Mean.

Reliability: 3 Based on data files of incomplete or unverified information from actual tax returns

22 New Jersey Economic Opportunity Act of 2013

Citation: N.J.S.A. 52:27D-489p

Effective Date: 9/18/2013
Applied Date: 9/18/2013

Objective: The Act serves to make Grow New Jersey the State's primary business attraction and retention incentive and the ERGG the State's sole redevelopment incentive. It allows for a greater geographic area of New Jersey to be eligible for its benefits.

Description: Five incentive business programs were reduced to two, expanding the Grow New Jersey Assistance Program (Grow NJ) and the Economic Development and Growth Grant (ERGG), which are administered by the New Jersey Economic Development Authority (NJEDA), and eliminating the Business Employment Incentive Program (BEIP), the Business Retention and Relocation Assistance Grant (BRRAG) and the Urban Transit Hub Tax Credit (UTHTC).

Data Lisa Coane, EDA data as of Nov 2016

Reliability: 3 Based on data files of incomplete or unverified information from actual tax returns

23 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 **2021 Estimate:** $8,600,000

Objective: To create a Corporation Business Tax credit for creating new jobs in New Jersey. The credit percentage depends on the type of investment and the number of jobs created, and can be as high as 10% of the investment costs.

Description: A taxpayer shall be allowed a credit against the portion of the tax imposed in section 5 of P.L.1945, Chapter 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.

Reliability: 1 Based on the population of verified tax returns.

24 Non-Profit Corporations

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

Effective Date: 1/1/1992

Objective: To exempt non-profit corporations from the taxes imposed by the Corporation Business Tax Act.

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.

25 Non-Profit Retirement Communities

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

Effective Date: 11/29/1973

Objective: To exempt non-profit corporations, whose primary purpose is to provide for its members housing in a retirement community, from the taxes imposed by the Corporation Business Tax Act.

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 Fund."

26 Non-Stock Residential Housing

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

Effective Date: 5/27/1963

Objective: To exempt non-stock corporations, providing mutual ownership housing, from the taxes imposed by the Corporation Business Tax Act.

Description: Non-stock 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.

27 Redevelopment Authority Project Tax Credit

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

Effective Date: 7/26/1991 **2021 Estimate:** $0

Objective: Another tax credit available to qualifying corporations who create jobs.

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, Chapter 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 next tax year 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.

Data: Division of Taxation Unpublished Data 2007-2011 Extrapolated as Mean of Reported Data.

Reliability: 1 Based on the population of verified tax returns.

28 Remediation Tax Credit

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

Effective Date: 1/14/2004 **2021 Estimate:** $0

Objective: Contaminated site remediation is a critically important function in an urbanized state and the Corporation Business Tax credit herein described reduces tax liability by the expended eligible costs of these cleanups for the period that the credit was in existence.

Description: A taxpayer shall be allowed a credit against the tax imposed pursuant to section 5 of P.L. 1945, Chapter 162 (C.54:10A-5), in an amountequal 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, Chapter 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, Chapter 296 (C.54:10A-5.35) performed during privilege periods beginning on or after January 1, 2004 and before January 1, 2007.

Data: GENTS

Reliability: 1 Based on the population of verified tax returns.

29 Research and Development Tax Credit

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

Effective Date: 1/1/1998 **2021 Estimate:** $191,100,000

Objective: Research and development costs have been deemed to be critical corporate expenditures as they could result in future economic activity based on product discovery and innovation. This credit is one of the most used credits available to corporations, clear demonstration of its importance.

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, Chapter 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 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, Chapter 102 (C.54:10A-5.3), or under the "Manufacturing Equipment and Employment Investment Tax Credit Act," P.L. 1993, Chapter 171 (C.54:10A-5.16 et al.), or under P.L. 1993, Chapter 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, Chapter 162, shall first be reduced by the amount of any credit allowed pursuant to section 19 of P.L. 1983, Chapter 303 (C.52:27H-78), then by any credit allowed pursuant to section 12 of P.L. 1985, Chapter 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, Chapter 170 (C.54:10A-5.6), and then by any credit allowed under section 3 or 4 of P.L. 1993, Chapter 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, Chapter 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, Chapter 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.

30 Sheltered Workshop Tax Credit

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

Effective Date: 1/12/2006 **2021 Estimate:** $0

Objective: To provide Corporation Business Tax and Gross Income Tax credits to businesses that provide employment at an occupational training center/sheltered workshop, under a contract with the workshop, for the performance of services.

Description: A taxpayer shall be allowed a credit against the tax imposed pursuant to section 5 of P.L. 1945, Chapter 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.

Reliability: 1 Based on the population of verified tax returns.

31 Urban Enterprise Zone Employee Tax Credit

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

Effective Date: 8/4/1988 **2021 Estimate:** $0

Objective: To allow a business, which is not retail sales or warehouse oriented, within a specified enterprise zone to receive an employee tax credit against the tax imposed by the Corporation Business Tax Act.

Description: Any qualified business subject to the provisions of the "Corporation Business Tax Act (1945)," P.L. 1945, Chapter 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)."

Data: RY 2007-10 from Division of Taxation reports.

Reliability: 1 Based on the population of verified tax returns.

32 Urban Enterprise Zone Investment Tax Credit

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

Effective Date: 8/4/1988 **2021 Estimate:** $0

Objective: To allow a business within a specified enterprise zone, which is not retail sales or warehouse oriented and is unable to receive employee tax credits, to receive a one-time tax credit against the tax imposed by the Corporation Business Tax Act for new investment into the enterprise zone.

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, Chapter 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.

Reliability: 1 Based on the population of verified tax returns.

33 Urban Transit Hub Tax Credit

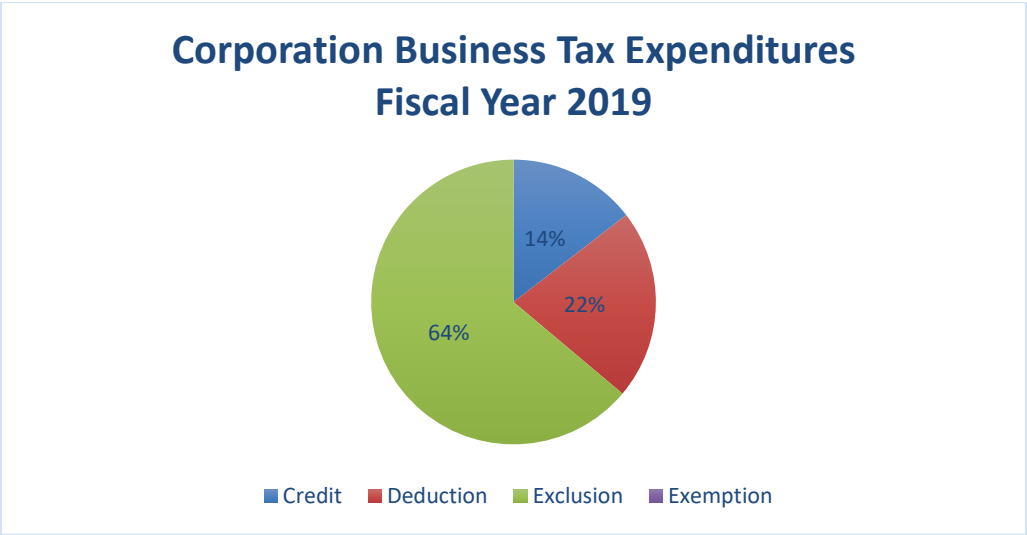
Citation: N.J.S.A. 34:1B-207-209 (P.L. 2007, Chapter 346)

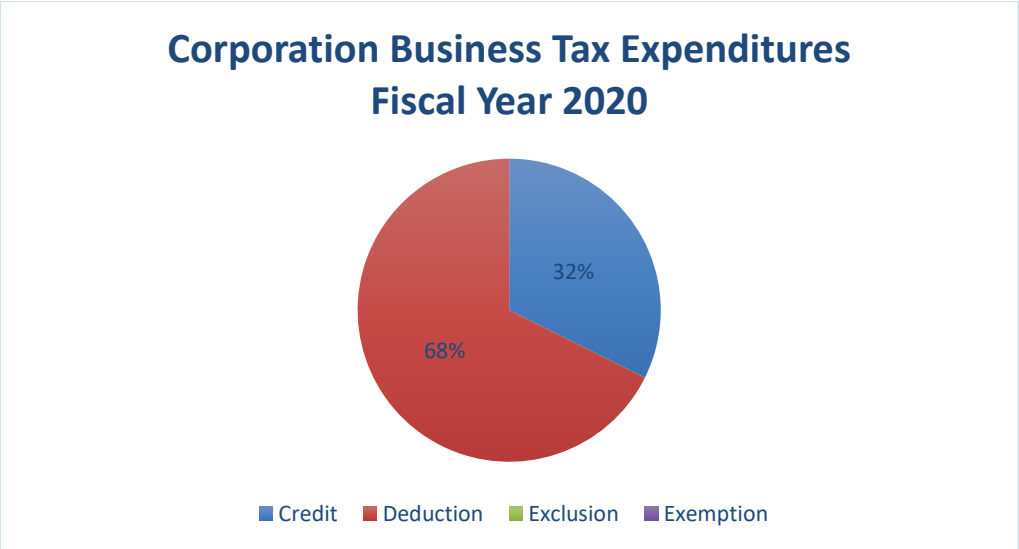
Effective Date: 7/28/2009 **2021 Estimate:** $107,800,000

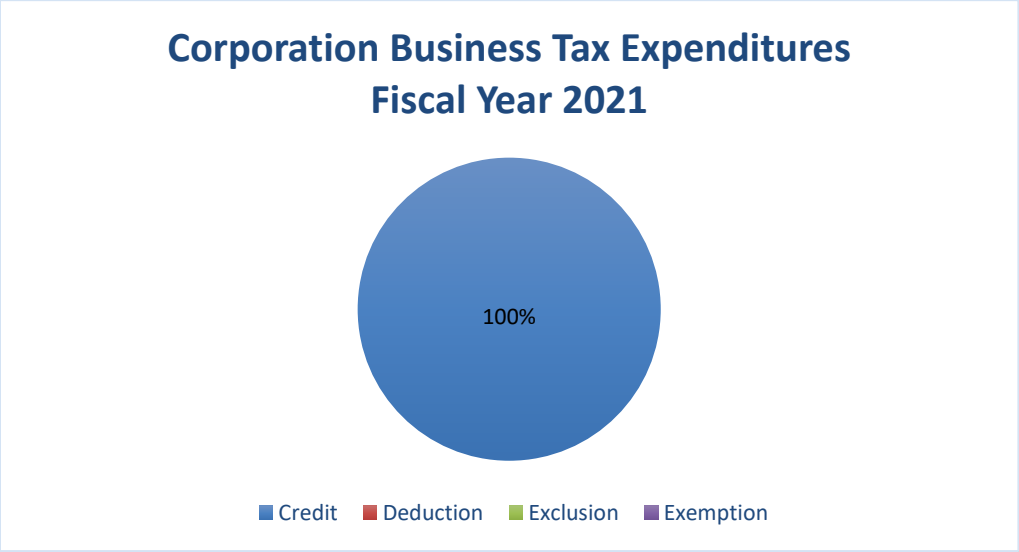
Objective: To promote economic development in urban transit hubs through a tax credit program for capital investment and increased employment. The approved tax credit is only allowable after the capital expenditure has actually been made.

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, Chapter 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.

Reliability: 1 Based on the population of verified tax returns.


Corporation Business Tax Expenditures
Fiscal Year 2019
14%
22%
64%
Credit
Deduction
Exclusion
Exemption


Corporation Business Tax Expenditures
Fiscal Year 2020
32%
68%
Credit
Deduction
Exclusion
Exemption


Corporation Business Tax Expenditures
Fiscal Year 2021
100%
Credit
Deduction
Exclusion
Exemption

9-1-1 System and Emergency Response Assessment
Overview

Description

P.L. 2004, Chapter 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.

1 Exempt Telephone Lines

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

Effective Date: 6/29/2004 **2021 Estimate:** $98,800
Applied Date: 7/1/2004

Objective: To continue an established tradition of providing 9-1-1 system equipment and maintaining this system without any cost to local governments.

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.

Reliability: 1 Based on the population of verified tax returns.

Alcoholic Beverage Tax
Overview

Description

Under the Alcohol Beverage Tax Law at N.J.S.A. 54:43-1 et seq. (P.L. 1933, Chapter 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% 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, Chapter 434 § 301, p. 1165)

Tax on bitters, grenadine and other mixers: All bitters, grenadine, highballs, cocktails, cordials and other mixes that 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, Chapter 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, Chapter 319, p. 800, 7; P.L. 1942, Chapter 171, p. 527, 5; P.L. 1968, Chapter 298, 2)

Effective Date: 6/14/1938 **2021 Estimate:** $14,800,000
Applied Date: 7/1/1938

Objective: Out-of-State sales are not subject to the tax.

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.

Reliability: 1 Based on the population of verified tax returns.

Effectiveness: No data available at this time

2 Out-of-State Sales - Liquor

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

Effective Date: 6/14/1938 **2021 Estimate:** $6,500,000
Applied Date: 7/1/1938

Objective: Out-of-State sales of these products are not subject to the tax.

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.

Reliability: 1 Based on the population of verified tax returns.

3 Out-of-State Sales - Still Wine

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

Effective Date: 6/14/1938 **2021 Estimate:** $21,100,000
Applied Date: 7/1/1938

Objective: Out-of-State sales of these products are not subject to the tax.

Description: No tax imposed by this subtitle is 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.

Reliability: 1 Based on the population of verified tax returns.

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

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

Effective Date: 6/4/1938 **2021 Estimate:** $2,600,000
Applied Date: 7/1/1938

Objective: Out-of-State sales of these products are not subject to the tax.

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.

Reliability: 1 Based on the population of verified tax returns.

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, now known as the U.S. Department of Veterans Affairs, 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 .00166667% 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, Chapter 264, the first $391.5 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, Chapter 65, p. 163, §409, Amended by P.L. 1957, Chapter 92, p. 179, 1)

Effective Date: 6/21/1957
Applied Date: 4/16/1956

Objective: To allow any distributor or dealer to receive a credit for any unused or mutilated, but identifiable, stamps for the face value of the given stamp.

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.

Reliability: 1 Based on the population of verified tax returns.

2 Distributor Discounts

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

Effective Date: 10/31/2008 **2021 Estimate:** $1,300,000

Objective: To allow for a tax credit of 1.8%, due to the service and expense of the distributor in affixing and handling revenue stamps, for any sale of 1,000 stamps or more.

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.

Reliability: 1 Based on the population of verified tax returns

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

Objective: To ensure that the State of New Jersey does not levy a tax upon cigarettes to hospitalized veterans, which is prohibited by the Constitution and Statutes of the United States.

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 Department of Veterans Affairs 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, Chapter 65, p. 159, §303, amended P.L. 1955, Chapter 18)

Effective Date: 5/16/1955

Objective: To exempt the purchase of cigarettes to be donated and distributed to hospitalized veterans from the tax.

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

Reliability: 1 Based on the population of verified tax returns.

Domestic Security Fee
Overview

Description

A statutory assessment designated as the "Domestic Security Fee" is imposed under P.L. 2002, Chapter 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.

1 Total Deductions

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

Effective Date: 7/1/2002 **2021 Estimate:** $1,000,000
Applied Date: 8/1/2002

Objective: The exemption for certain motor vehicles from the Sales and Use Tax is likewise applied to the domestic security fee on those exempted vehicles.

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.

Reliability: 3 Based on data files of incomplete or unverified information from actual tax returns

State Occupancy Fee and Municipal Occupancy Tax
Overview

Description

P.L. 2003, Chapter 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) and Berkeley Township (Ocean County) impose the tax at the rate of 3%.

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.

Recent History

P.L.2018, Chapter 49 imposed the Hotel and Motel Occupancy Fee (as well as the Sales and Use Tax) on rentals of transient accommodations, effective October 1, 2018.

1 Government Exemption

Citation: N.J.S.A54:32D-1b (P.L. 2003, Chapter 114)

Effective Date: 7/1/2003 **2021 Estimate:** $41,600,000

Applied Date: 7/1/2003

Objective: To allow occupancies that are exempt for Sales and Use Tax purposes, including occupancies for government use, a credit from the Hotel/Motel occupancy fee.

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.

Reliability: 1 Based on the population of verified tax returns.

2 Permanent Resident Exemption

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

Effective Date: 7/1/2003 **2021 Estimate:** $98,600,000

Objective: To allow occupancies that are exempt for Sales and Use Tax purposes or motel occupancy where the purchaser resides at the lodging facility for at least 90 day, a deduction/exemption from the Hotel/Motel occupancy fee.

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.

Reliability: 1 Based on the population of verified tax returns.

3 Rooms for Assembly

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

Effective Date: 7/1/2003

Objective: To allow occupancies that are exempt for Sales and Use Tax purposes or using rooms for the purpose of assembly an exclusion from the Hotel/Motel Occupancy

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.

Data: GENTS.

Reliability: 1 Based on the population of verified tax returns.

Local Property Tax Supported by State Government
Overview

Description

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

Deduction

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 ofthat 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 ofthat 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.

Description

The Property Tax Reimbursement, N.J.S.A. 54A4:8.67

The Property Tax Reimbursement program seeks to refund property tax increases to eligible senior and disabled homeowners and mobile homeowners. Claimants must meet all eligibility requirements for two consecutive years to be eligible to receive reimbursements. The applicant resident must be 65 or older and or receiving-Social Security disability benefits. The resident must have lived in New Jersey continuously for 10 years as either a homeowner or renter and owned and lived in the home for at least the last three years. P.L. 2009, Chapter 129 modified and liberated the residency requirements for reimbursement recipients who lose their eligibility temporarily when they move to a new home. The new residency rules apply to applications filed for 2010 and thereafter. A taxpayer's income must remain within the specified income limits. If the homeowner is also receiving the benefits of additional property tax relief the applicant cannot receive more than the amount of property taxes due and paid for the qualifying tax year.

Description

The Homestead Benefit, N.J.S.A. 54A:3A-15

Claimed by homeowners who owned and occupied a home in New Jersey as their principal residence, as defined in the statute N.J.S.A. 54A:3A-15, on October 1st of the year for which the benefits is being claimed. The property taxes on the residence must be paid in full and the claimant's gross income must remain within the specified income limitations. Benefit amounts are set forth in the statute and are subject to budgetary constraints. Benefits for eligible homeowners will be applied to the individual property tax bills.

Recent History

P.L. 2017, Chapter 228 amends P.L. 1945, Chapter 260 concerning the assessment of buildings or structures following material depreciation.

P.L. 2017, Chapter 207 allows installment payments for senior, individuals 65 or older, and disabled property taxpayers to repay overpayments of Homestead Credits and Homestead Property Tax reimbursements.

P.L. 2017, Chapter 16 amends N.J.S.A. 54:4-38.1 to require that any notice of a change in assessment and the notice of annual assessment issued to a property owner must contain the deadline to file an appeal in boldface type.

P.L. 2017, Chapter 370 revises application deadline for homestead property tax reimbursement program.

Non-Theater of War Veteran Property Tax Exemption

Citation: N.J.S.A 54:4-3.33a **Effective Date:** 1/16/2018 **Applied Date:** 1/16/2018

Objective: Authorizes veterans Property Tax exemption for totally disabled veterans who did not serve in theater of war.

Description: Allows totally disabled veterans who did not serve in a theater of war to receive a Property Tax exemption.

1 Senior Citizen Real Estate Tax Deduction

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

Effective Date: 1/3/1990 **2021 Estimate:** $11,200,000
Applied Date: 1/1/1991

Objective: To establish an annual deduction of $250 for real Property Taxes in the event a given dwelling is owned by a qualified senior citizen.

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.

Data Property Tax Study File - a collection of incomes, property taxes paid, demographic data from Income Tax, Saver, Property tax Reimbursement files for 2014 and 2015

Reliability: 1 Based on the population of verified tax returns.

2 Veteran's Deduction

Citation: N.J.S.A. 54:4-8.11 (P.L.2000, Chapter 9, s.1)
Effective Date: 3/30/2000 **2021 Estimate:** $57,400,000

Objective: To implement the State constitutional amendment, approved by the voters of the State on November 2, 1999, which provides for a veteran's property tax deduction and to increase that annual property tax deduction for certain veterans and surviving spouses of those veterans from $50 to $250.

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

Reliability: 1 Based on the population of verified tax returns.

3 Property Tax Reimbursement

Citation: N.J.S.A. 54A4:8.67 (P.L. 1997 , Chapter 348)

Effective Date: 1/14/1998

Description: The Property Tax Reimbursement program seeks to refund Property Tax increases to eligible senior and disabled homeowners and mobile homeowners. Claimants must satisfy all eligibility requirements for two consecutive years to be eligible to receive reimbursement.

Reliability: 1 Based on the population of verified tax returns.

4 Homestead Benefit

Citation: N.J.S.A. 54A:3A-15
Effective Date: 1/1/1996 **2021 Estimate:** $299,200,000
Applied Date: 1/1/1996

Objective: An Act providing a Gross Income Tax deduction for residential property taxes paid by homeowners and tenants, providing a refundable tax credit for property tax payers, and supplementing Title 54A of the New Jersey Statutes.

Description: The Homestead Benefit may be claimed by homeowners who owned and occupied a home in New Jersey as their principal residence, as defined in the statute N.J.S.A. 54A:3A-15, on October 1st of the year for which the benefit is being claimed.

Reliability: 2 Based on a sample of verified tax returns.

Motor Fuels Tax

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 10.5¢ per gallon of gasoline. A tax of 5.25¢ 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 13.5¢ per gallon, of which 3¢ per gallon is refundable for fuel used in passenger automobiles and motor vehicles of less than 5,000 pounds gross weight (P.L. 1984, Chapter 73 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.

Motor Fuels Law

P.L. 2010, Chapter 22, 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 December 31, 2010.

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 Exported Fuels (as required by N.J.S.A. 54:39-112)

Citation: N.J.S.A. 54:39-112 (P.L. 2010, Chapter 22, § 12, eff. June 29, 2010, operative Jan. 1, 2011 operative date
amended P.L. 2010, Chapter 79, § 29; amended P.L. 2010, Chapter 79, § 11, eff. Oct. 1, 2010).)

Effective Date: 6/29/2010
Applied Date: 10/1/2010 **2021 Estimate:** $8,080

Objective: To stipulate that fuels exported outside of the State are, in general, exempt from the tax imposed with certain limitations applying.

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

Reliability: 1 Based on the population of verified tax returns.

2 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, Chapter 264, § 7)

Effective Date: 10/1/2010 **2021 Estimate:** $9,000

Objective: To exempt fuel used by aircrafts from the tax imposed by the Motor Fuels Tax Act.

Description: Fuel used by aircraft is exempt from the tax imposed by the "Motor Fuels 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, Chapter 22 (C.54:39-103) may be claimed by the consumer providing proof the tax has been paid and no refund has been previously issues.

Reliability: 1 Based on the population of verified tax returns.

3 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 **2021 Estimate:** $70,000

Objective: To allow the fuel used by an ambulance to be exempt from the current Motor Fuels Tax, or receive a refund of taxes imposed.

Description: Fuel used by ambulances is exempt from the tax imposed by the "Motor Fuel Tax Act," P.L.2010, Chapter 22 (C.54:39-101 et seq.), and a refund of the tax imposed by subsection a. of section 3 of P.L.2010, Chapter 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.

Reliability: 1 Based on the population of verified tax returns.

Effectiveness: Current law allows for the deduction or exclusion of certain vehicles, including ambulances, from the motor fuels tax in order to reduce an entities' expenses. All eligible to benefit take advantage of either this deduction or exemption.

4 Fuel Used by Certain Agricultural Tractors and Farm Machinery

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

Effective Date: 10/1/2010 **2021 Estimate:** $6,200

Objective: Motor fuel used by certain vehicles for defined purposes are exempt from the tax imposed by the Motor Fuel Tax Act of 2010.

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, Chapter 22 (C.54:39-101 et seq.), and a refund of the tax imposed by subsection a. of section 3 of P.L.2010, Chapter 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.

Data: New Jersey Taxation Records.

Reliability: 1 Based on the population of verified tax returns.

5 Fuel Used by Certain Autobuses

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

Effective Date: 10/1/2010 **2021 Estimate:** $800,000

Objective: Motor fuels used by certain vehicles for defined purposes are exempt from the tax imposed by the Motor Fuels Tax Act of 2010.

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, Chapter 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 Fuels Tax Act," P.L. 2010, Chapter 22 (C.54:39-101 et seq.), and a refund of the tax imposed by subsection a. of section 3 of P.L. 2010, Chapter 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.

Reliability: 1 Based on the population of verified tax returns.

6 Fuel Used by Non-Highway Equipment

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

Effective Date: 10/1/2010 **2021 Estimate:** $900,000

Objective: Motor fuels used by certain vehicles for defined purposes are exempt from the tax imposed by the Motor Fuels Tax Act of 2010.

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 Fuels Tax Act," P.L.2010, Chapter 22 (C.54:39-101 et seq.), and a refund.

Reliability: 1 Based on the population of verified tax returns.

7 Off Road Use of On Road Vehicles

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

Effective Date: 10/1/2010 **2021 Estimate:** $900,000

Objective: Motor fuels used by certain vehicles for defined purposes are exempt from the tax imposed by the Motor Fuels Tax Act of 2010.

Description: Fuel used by highway motor vehicles that are operated exclusively on private property is exempt from the tax imposed by the "Motor Fuels Tax Act," P.L. 2010, Chapter 22 (C.54:39-101 et seq.), and a refund of the tax imposed by subsection a. of section 3 of P.L.2010, Chapter 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.

Reliability: 1 Based on the population of verified tax returns.

8 Total Exempt Government Sales

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

Effective Date: 10/1/2010 **2021 Estimate:** $3,100,000

Objective: To stipulate that sales made to government entities are exempt under the current Motor Fuels Tax Act and were exempt under the previous statute.

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

Reliability: 1 Based on the population of verified tax returns.

Motor Vehicle Tire Fee
Overview

Description

P.L. 2004, Chapter 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.

1 Exempt Tires Sales Times $1.50 Tire Fee

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

Effective Date: 6/29/2004 **2021 Estimate:** $3,600,000

Applied Date: 8/1/2004

Objective: To offset the cost of proper scrap tire pile management.

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.

Reliability: 1 Based on the population of verified tax returns.

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, Chapter 105 and was subsequently amended on June 29, 2004, as P.L. 2004, Chapter 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, now known as the Department of Health, 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.

1 Exempt Days Times Rate

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

Effective Date: 6/29/2004 **2021 Estimate:** $12,400,000

Applied Date: 7/1/2004

Objective: To ensure compliance with applicable federal requirements that will enable the State to receive its maximum share of federal Medicaid matching funds.

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.

Reliability: 1 Based on the population of verified tax returns.

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, Chapter 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 2.75% 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 4¢ per gallon pursuant to P.L. 2000, Chapter 48, 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, Chapter 415.

P.L. 2016, Chapter 26 increased the Petroleum Products Gross Receipts Tax rate for the following various fuels:

Petroleum Products Other than Highway Fuel and Aviation Fuel – Effective November 1, 2016, companies that refine and/or distribute petroleum products (other than highway fuel and aviation fuel) pay a tax of 7% on their gross receipts from the first sale of those products in New Jersey.

Gasoline and Liquefied Petroleum Gas (LPG) – Effective November 1, 2016, any company that refines and/or distributes highway fuels pays a tax of 12.85% on the gross receipts from the first sale of gasoline, including blended fuel that contains gasoline or is intended for use as gasoline,

and LPG in the State. When converted to cents per gallon, the PPGRT on gasoline will be 22.6¢ per gallon, plus the additional tax of $0.309¢ per gallon.

Diesel Fuel – The tax rate on the gross receipts from the first sale of diesel fuel, blended fuel that contains diesel fuel or is intended for use as diesel fuel, and kerosene, other than aviation grade kerosene, remains unchanged on November 1, 2016, through December 31, 2016. A tax rate increase of 12.85 percent will be phased in on January 1 2017, and July 1, 2017. When converted to cents per gallon, the PPGRT on diesel will be 15.9¢ per gallon, plus the additional tax of $0.35¢ per gallon.

Fuel Oil – Effective November 1, 2016, the gross receipts from the first sale of fuel oil products in New Jersey are taxed at 7%. When converted to cents per gallon, the PPGRT on fuel oil will be 12.4¢ per gallon.

Additional Tax – There is an additional tax of 4¢ per gallon on the gross receipts from the first sale in New Jersey of gasoline, blended fuel that contains gasoline or that is intended for use as gasoline, LPG, and aviation fuel.

The additional tax is also imposed on the gross receipts from the first sale of diesel fuel, blended fuel that contains diesel fuel or is intended for use as diesel fuel, and kerosene, other than aviation grade kerosene, on sales made before July 1, 2017. On and after July 1, 2017, the additional tax will increase to 8¢ per gallon.

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.

1 Withdrawn for Use Outside New Jersey

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

Effective Date: 6/30/2000 **2021 Estimate:** $16,800,000

Objective: To set the Petroleum Products Gross Receipts Tax rate on fuel oils, aviation fuels and motor fuels subject to tax under R.S.54:39-1 et seq. at the current rate of 4¢ per gallon which is the minimum statutory rate allowed.

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

Data: Division of Taxation records.

Reliability: 1 Based on the population of verified tax returns.

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.

P.L. 2007, Chapter 103, 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
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 Internal Revenue Service to be exempt from federal income taxation that are the buyers in deeds for a consideration in excess of $1 million.

P.L. 2006, Chapter 33, 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, Chapter 33)

Effective Date: 7/8/2006 **2021 Estimate:** $52,400,000
Applied Date: 8/1/2006

Objective: In an effort to provide adequate funding for State services during what was then an austere fiscal period, the Realty Transfer Fee was increased on certain high-value income-producing properties (not including residential property, farm property, industry).

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.

Reliability: 3 Based on data files of incomplete or unverified information from actual tax returns

2 Partial Realty Transfer Fee Exemption (Sales Price Known)

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

Effective Date: 6/30/2004 **2021 Estimate:** $25,000,000

Objective: To generate revenue through the "general purpose fee" to be used for general State purposes. The bill also makes a number of editorial revisions in the text of the Realty Transfer Fee statute for purposes of clarifying its provisions.

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.

Reliability: 3 Based on data files of incomplete or unverified information from actual tax returns

3 Total Realty Transfer Fee Exemption for Sales Price Less than $100 (Sales Price Known)

Citation: N.J.S.A. 46:15-10(a) (P.L. 1968, Chapter 49, § 6; amended 1974, Chapter 184, § 4; 1979, Chapter 293; 1985, Chapter 17; 1999, Chapter 357, § 1)

Effective Date: 1/14/2000 **2021 Estimate:** $199,300,000

Objective: To exempt the Reality Transfer Fee to a deed imposed if the consideration is less than $100.

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.

Reliability: 3 Based on data files of incomplete or unverified information from actual tax returns

4 Total Realty Transfer Fee Exemption Where Such Sales Price Would Have Exceeded $100 (Sales Price Known)

Citation: N.J.S.A. 46:15-10 (P.L. 1968, Chapter 49, § 6; amended 1974, Chapter 184, § 4; 1979, Chapter 293; 1985, Chapter 17; 1999, Chapter 357)

Effective Date: 1/14/2000 **2021 Estimate:** $27,600,000

Objective: To clarify that the conversion of real property from a cooperative form of ownership to a condominium form of ownership is not subject to the Realty Transfer Fee, which applies to sales and transfers of interests in real property, by specifying an exemption.

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.

Reliability: 3 Based on data files of incomplete or unverified information from actual tax returns

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

6	Cafeteria Plan, Qualified Option	N.J.S.A. 54A:6-24(P.L. 1995, Chapter 111)

Deduction/Exemption

28	Gambling Losses	N.J.S.A. 54A:5-1(g) (P.L. 1976, Chapter 47; amended 1977, Chapter 40, 1977, Chapter 273, 1981, Chapter 423, 1983, Chapter 571, 1987, Chapter 76, 1987, Chapter 310, 1990, Chapter 79, 1993, Chapter 173, 1997, Chapter 414, 1998, Chapter 57)

Exclusion

8	Cash or Assistance from a Charitable Organization	N.J.S.A. 54A:6-5, N.J.S.A. 54A:6-22
9	Certain Exclusions from Military Pay	N.J.S.A. 54A:6-7 (P.L. 1976, Chapter 47)
10	Charitable Trust or Pension/Profit Sharing Plan Trust	N.J.S.A. 54A:2-1 (P.L. 1976, Chapter 47)
12	Commuter Transportation Benefits	N.J.S.A. 54A:6-23 (P.L. 1993, Chapter 108; amended 1996, Chapter 121; 2001, Chapter 162)
14	Damages for Personal Injury or Illness	N.J.S.A. 54A:6-6 (P.L. 1976, Chapter 47)
20	Education IRA or State Tuition Plan Earnings	N.J.S.A. 54A:6-25 (P.L. 1997, Chapter 237; amended P.L. 1999, Chapter 46, Chapter 116, P.L. 2001, Chapter 262)
22	Employee's Death Benefits	N.J.S.A. 54A:6-4 (P.L. 1976, Chapter 47)
27	Family Leave Benefits	N.J.S.A 54A:6-31
32	Holocaust Reparations and Restitution	N.J.S.A. 54A:6-29 (P.L. 1998, Chapter 113)
33	Homeless Persons' Assistance Programs	N.J.S.A. 54A:6-22 (P.L. 1988, Chapter 29; amended P.L. 2008, Chapter 127)

34	Life Insurance Payments	N.J.S.A. 54A:6-4 (P.L. 1976, Chapter 47)
35	Loan Redemption	N.J.S.A. 54A:6-25.1 (P.L. 2005, Chapter 157)
38	Medical Savings Account Contributions	N.J.S.A. 54A:6-27 (P.L. 1997, Chapter 414)
39	Military Pension and Survivor's Benefit Payments	N.J.S.A. 54A:6-26 (P.L. 1997, Chapter 409; amended 2001, Chapter 84)
50	Roth IRA Distributions	N.J.S.A. 54A:6-28 (P.L. 1998, Chapter 57)
51	Scholarships and Fellowship Grants	N.J.S.A. 54A:6-8 (P. L. 1976, Chapter 47)
58	Victims of September 11, 2001 Terrorist Attacks	(N.J.S.A. 54A:6-30) P.L. 2003, Chapter 9

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, Chapter 162, s.27)
2	Admissions Charges from an Exempt Organization	N.J.S.A. 54:32B-9(f) (P.L. 1997, Chapter 162)
10	Capital Improvements to Real Property	N.J.S.A. 54:32B-3(b)(4) (P.L. 1966, Chapter 30)
12	Casino Parking Charges pursuant to an agreement between the CRDA and a Casino Operator	N.J.S.A. 54:32B-3(i)
29	Direct Mail Advertising and Processing Services (as defined in N.J.S.A. 54:32B-3(b)(5))	N.J.S.A. 54:32B-3(b)(5) (P.L. 2008, Chapter 123)
31	Distribution of Certain Corporate Property	N.J.S.A. 54:32B-(2)(e)(4)(c)
36	Employer Provided Parking	N.J.S.A. 54:32B-3(i) (P.L. 2007, Chapter 105)
52	Food and Drink for Airline Passengers	N.J.S.A. 54:32B-3
55	Food Sold by a Manufacturer	N.J.S.A. 54:32B-3(c)(3)(ii)(A)
56	Food Sold in an Unheated State	N.J.S.A. 54:32B-3(c)(3)(ii)(B)
57	Food that is Cut, Repacked or Pasteurized by the Seller	N.J.S.A. 54:32B-3(c)(3)(i)(B)
59	Garment Services	N.J.S.A. 54:32B-3(b)(2)(iii)
63	Hotel Occupancy by a Permanent Resident	N.J.S.A. 54:32B-2(m)
66	Inconsequential Tangible Personal Property	N.J.S.A. 54:32B-(2)(e)(4)(A)
67	Initiation Fees and Membership Dues: Exempt Entity Operated	N.J.S.A. 54:32B-3(h)(2)

68	Initiation Fees and Membership Dues: Youth Membership	N.J.S.A.54:32B-3(h)(1)
69	Interest, Financing, and Carrying Charges	N.J.S.A. 54:32B-2(oo)(2)(B)
72	Limousine Services - Funerals	N.J.S.A.54:32B-3(b)(13)
81	Milk Sales by Coin-Operated Vending Machine	N.J.S.A. 54:32B-3(c)(2)
86	Non-Reimbursed Discounts	N.J.S.A. 54:32B-2(oo)(2)(A)
89	Parking Charges Subject to Other Taxes	N.J.S.A. 54:32B-3(i)
90	Parking Charges Subject to the Atlantic City Parking Fee	N.J.S.A. 54:32B-3(i)
92	Partnership Distributions (as defined in N.J.S.A. 54:32B-(2)(e)(4)(D))	N.J.S.A. 54:32B-(2)(e)(4)(D)
93	Prepared Food Delivered to Homebound	N.J.S.A. 54:32B-3(c)(1)
96	Private Services to a Homeowner	N.J.S.A. 54:32B-3(b)(2)(i)
98	Property Contributed Towards Partnership Interest	N.J.S.A. 54:32B-(2)(e)(4)(F)
105	Radio and Television Programming Services	N.J.S.A. 54:32B-2(cc)(13)
110	Residential Home Heating System services (as defined in N.J.S.A. 54:32B-3(b)(4))	N.J.S.A. 54:32B-3(b)(4)
111	Residential Parking	N.J.S.A. 54:32B-3(i)
116	Sales of Property held for Security	N.J.S.A. 54:32B-(2)(e)(4)(G)
118	Services Performed as an Employee	N.J.S.A. 54:32B-3
119	Services Rendered by Certain Individuals	N.J.S.A. 54:32B-3(b)(2)(v)
120	Services to Exempt Medical Equipment	N.J.S.A. 54:32B-3(b)(2)
122	Shoe Repairs	N.J.S.A. 54:32B-3(b)(2)(iv)
124	Storage of Property Held for Sale	N.J.S.A. 54:32B-3
127	Taxes Imposed on the Consumer	N.J.S.A. 54:32B-2(oo)(2)(c)
128	Transfer of Property for Corporate Stock	N.J.S.A. 54:32B-(2)(e)(4)(E)
129	Transfer of Property to a Corporation	N.J.S.A. 54:32B-(2)(e)(4)(B)

Exemption

	Breast Pumps, Breast Pump Milk Collection and Storage Supplies , Certain Breast Pump services and Repair	N.J.S.A 54:32B-8.63(P.L. 2017, c. 276)
5	Barges	N.J.S.A. 54:32B-8.12 (P.L. 1988, Chapter 53)

6	BPU-Regulated Service Provider purchases of equipment (as defined in N.J.S.A. 54:32B-8.13C)	N.J.S.A. 54:32B-8.13(c) (L. 1980, Chapter 105, § 25; amended 1985, Chapter 266; 1989, Chapter 2, § 1; 1995, Chapter 317; 1996, Chapter 26, § 18; 1997, Chapter 162, § 23).
8	Building Materials and Supplies Purchased for an Exempt Organization	N.J.S.A. 54:32B-8.22 (P.L. 1980, Chapter 105, amended 1983, Chapter 303, § 31; P.L. 1988, Chapter 83, § 1; P.L. 1988, Chapter 93, § 5; P.L. 2006, Chapter 34, § 2)
11	Cargo Containers	N.J.S.A. 54:32B-8.12 (P.L. 1980, Chapter 105, § 24; amended P.L. 1981, Chapter 218, § 1; P.L. 1988, Chapter 53; P.L. 1999, Chapter 273)
13	Casual Sales	N.J.S.A. 54:32B-8.6 (P.L. 1980, Chapter 105, § 18; amended P.L. 1983, Chapter 400, § 7; P.L. 1989, Chapter 123, § 4; P.L. 2005, Chapter 126, § 10.)
15	Chemicals and Catalysts used in manufacturing processes	N.J.S.A. 54:32B-8.20 (L. 1980, Chapter 105, 32, eff. Sept. 11, 1980)
17	Cogeneration Facility purchases of machinery and apparatus (as defined in N.J.S.A. 54:32B-8.13(d))	N.J.S.A. 54:32B-8.13(d)
18	Coin-Operated Telephone Service	N.J.S.A. 54:32B-8.58 (P.L. 2008, Chapter 123, § 16)
19	Coin-Operated Vending Machine Sales under $.25	N.J.S.A. 54:32B-8.9
20	Commercial Fishing Boats and Boat Repairs	N.J.S.A. 54:32B-8.12
21	Commercial Fishing Vessels	N.J.S.A. 54:32B-8.12
22	Commercial Trucks and Truck Repairs (as defined in N.J.S.A. 54:32B-8.43)	N.J.S.A. 54:32B-8.43 (P.L. 1990, Chapter 115, § 3)
23	Commercial Trucks Used for Interstate Travel	N.J.S.A.54:32B-8.43
24	Concession Stand Sales: State-Owned Veterans Facilities	N.J.S.A. 54:32B-8.54
26	Diabetic Supplies	N.J.S.A. 54:32B-8.1
28	Diplomats, Consulates and Foreign Embassies	N.J.S.A. 54:32B-9(a)(3)
32	Durable Medical Equipment	N.J.S.A. 54:32B-8.1 (P.L. 1980, Chapter 105, § 13; amended 1982, Chapter 227, § 5; 1987, Chapter 383, § 1; 2005, Chapter 126, § 7; 2008, Chapter 123, § 6).

35	Electronically Delivered Software for Business Use	N.J.S.A. 54:32B-8.56 (P.L. 2005, Chapter 126, §15; amended 2006, Chapter 44, §12; 2008, Chapter 123, §11).
37	Energy and Utility Service	N.J.S.A. 54:32B-8.47 (P.L. 1997, Chapter 162, § 33; amended 2007, Chapter 94, § 1)
38	Equipment for Printing and Publishing	N.J.S.A. 54:32B-8.29 (P.L. 1980, Chapter 105, 41. Amended by P.L. 1985, Chapter 440, 1)
39	Equipment Used on Boats or Ships	N.J.S.A. 54:32B-8.12 (P.L. 1980, Chapter 105, § 24; amended 1981, Chapter 218, § 1; 1988, Chapter 53; 1999, Chapter 273).
41	Exempt Organizations: Parent-Teachers Associations	N.J.S.A. 54:32B-9(b) (P.L. 1997, Chapter 162)
42	Exempt Organizations: United Nations	N.J.S.A. 54:32B-9(a)(3)
44	Farm machinery and apparatus (as defined in N.J.S.A. 54:32B-8.16)	54:32B-8.16
45	Farm Vehicles and Vehicle Repairs	N.J.S.A. 54:32B-8.43
47	Ferryboats carrying passengers (as defined in N.J.S.A. 54:32B-8.12)	N.J.S.A. 54:32B-8.12 (P.L. 1980, Chapter 105, § 24; amended 1981, Chapter 218, § 1; 1988, Chapter 53; 1999, Chapter 273, eff. Nov. 24, 1999)
48	Films, Records and Tapes Used in Radio and Television	N.J.S.A. 54:32B-8.18
49	Firearm Safety Locks	N.J.S.A. 54:32B-8.50
51	Flag sales (American and New Jersey State)	N.J.S.A. 54:32B-8.26 (P.L. 1980, Chapter 105)
60	Gas, Water, Steam and Fuel in Containers and Bulk	N.J.S.A. 54:32B-8.7
61	Gold and Silver	N.J.S.A. 54:32B-8.32
62	Government-owned Ships and Other Vessels	N.J.S.A. 54:32B-8.12
64	Human Blood and its Derivatives	N.J.S.A. 54:32B-8.1
65	Imprinting Services	N.J.S.A. 54:32B-8.48
73	Limousines and Limousine Repairs	N.J.S.A. 54:32B-8.52
74	Locomotives, Railroad Cars and Other Railroad Rolling Stock	N.J.S.A. 54:32B-8.27
75	Magazines and Periodicals	N.J.S.A. 54:32B-8.5

76	Marine Terminal Facility equipment and apparatus (as defined in N.J.S.A. 54:32B-8.12)	N.J.S.A. 54:32B-8.12 (P.L. 1980, Chapter 105, § 24; amended 1981, Chapter 218, § 1; 1988, Chapter 53; 1999, Chapter 273, eff. Nov. 24, 1999).
77	Marine Terminal Services (as defined in N.J.S.A. 54:32B-8.12)	N.J.S.A. 54:32B-8.12
79	Medical Oxygen	N.J.S.A. 54:32B-8.1
80	Membership Periodicals	N.J.S.A. 54:32B-8.5
82	Mobility Enhancing Equipment	N.J.S.A. 54:32B-8.1
85	Newspapers	N.J.S.A. 54:32B-8.5
87	Out-of-State Sales	N.J.S.A. 54:32B-8.10
95	Printed Advertising Material Delivered Out-of-State	N.J.S.A. 54:32B-8.39
97	Production Machinery	N.J.S.A. 54:32B-8.13(a)
100	Property Used in Research and Development or Laboratory Sense	N.J.S.A. 54:32B-8.14
102	Protective Work Equipment	N.J.S.A. 54:32B-8.4
103	Public Passenger Buses	N.J.S.A. 54:32B-8.28 (P.L. 1991, Chapter 497)
107	Rental of Tangible Personal Property to Related Parties	N.J.S.A. 54:32B-8.53
108	Repairs to Certain Aircraft	N.J.S.A. 54:32B-8.35(b)
112	Sale-Leaseback Transactions	N.J.S.A. 54:32B-8.57
114	Sales by a Mortician, Undertaker or Funeral Director	N.J.S.A. 54:32B-8.17
115	Sales of Certain Aircraft	N.J.S.A. 54:32B-8.35(a)
125	Tax Exempt Organizations: National Guard and War Veteran Posts	N.J.S.A. 54:32B-9(b)(4)
126	Tax Exemption for Certain Fishing Vessels and Equipment	N.J.S.A. 54:32B-8.12 (P.L. 1980, Chapter 105, § 24; amended 1981, Chapter 218, § 1; 1988, Chapter 53; 1999, Chapter 273)
130	Transportation Charges Exemption	N.J.S.A. 54:32B-8.11 (P.L. 1980, Chapter 105, § 23; amended 1997, Chapter 162, § 22; 2006, Chapter 44, § 8)
133	Utility Equipment Purchases (as defined in N.J.S.A. 54:32B-8.13(b))	N.J.S.A. 54:32B-8.13(b)

134	Vessels of 50-ton burden or more (as defined in N.J.S.A. 54:32B-8.12)	N.J.S.A. 54:32B-8.12 (P.L. 1980, Chapter 105, § 24; amended 1981, Chapter 218, § 1; 1988, Chapter 53; 1999, Chapter 273)
135	Volunteer Fire and Similar Emergency Companies' purchases (as defined in N.J.S.A. 54:32B-9(b))	N.J.S.A. 54:32B-9(b)
136	Wrapping Supplies	N.J.S.A. 54:32B-8.15
138	Partial Sales Tax Exemption for Boats and Other Vessels	N.J.S.A 54:32B-4.2-54:32B-6.1 et seq. (P.L. 2015, Chapter 170)

Corporation Business Tax

Credit

10	Digital Media Production Credit	N.J.S.A. 54:10A-5.39

Exemption

7	Business Income of Non-Profits	N.J.S.A. 54:10A-3€
9	Cemetery Corporations not conducted for profit	N.J.S.A. 54:10A-3(d)
24	Non-Profit Corporations	N.J.S.A. 54:10A-3(e) (P.L. 1945, Chapter 162)
25	Non-Profit Retirement Communities	N.J.S.A. 54:10A-3(h) (P.L. 1973, Chapter 275)
26	Non-Stock Residential Housing	N.J.S.A. 54:10A-3(g) (P.L. 1963. Chapter 59)

Cigarette Tax

Exemption

3	U.S. Constitution Federal laws	N.J.S.A. 54:40A-8 through N.J.S.A. 54:40A-10, 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, Chapter 65, p. 159, §303, amended P.L. 1955, Chapter 18)

Local Property Tax support by State Government

Exemption

	Non-Theater of War Veteran Property Tax Exemption	N.J.S.A 54:4-3.33a

Taxes of the State of New Jersey

The following outline provides basic information regarding taxes imposed by the State of New Jersey and administered by the Division of Taxation and the Division of Revenue and Enterprise Services that a new business may be responsible for collecting and paying.

New Jersey Gross Income Tax
(N.J.S.A. 54:A:1-1 et seq.)

Personal Income Tax is imposed on the New Jersey taxable income of resident and nonresident individuals, estates and trusts for taxable years ending on or after July 1, 1976. Residents are subject to tax on all income, regardless of where it was earned, while nonresidents are only subject to tax on income derived from sources within New Jersey.

The withholding requirements apply to *every* New Jersey employer making payment of taxable wages. For New Jersey Gross Income Tax purposes, the term "employer" includes organizations that may be exempt from federal income tax or New Jersey Corporation Business Tax, such as religious organizations and governmental agencies.

Generally, anything regarded as "wages" for federal withholding purposes is subject to withholding for the New Jersey Income Tax. Every employer is required to file a quarterly return of tax withheld (NJ-927) for each calendar quarter. Some employers are also required to file a monthly remittance (NJ-500). Employers classified as "weekly payers" must remit payment of withholdings by means of Electronic Funds Transfer (EFT) on the Wednesday of the week following the week in which the taxes were withheld.

Employers not classified as weekly payers must remit the tax withheld with their withholding return either monthly or quarterly, depending on the amount of withholding liability.

Reciprocal Agreement

(New Jersey & Pennsylvania Residents Only)

Under the Reciprocal Tax Agreement, the compensation derived by residents of either state (New Jersey or Pennsylvania) will be subject to income tax only in the state of residence including compensation income derived from sources within the other state.

Compensation that is limited to the provisions of the Reciprocal Agreement means salaries, wages, tips, fees, commissions, bonuses and other remuneration received for services rendered. Businesses or professional income earned by a resident of either state is not covered by the Reciprocal Agreement and is subject to the income tax of the state in which it is earned.

Withholding Requirement for Contractor Services
(N.J.S.A.54A:7-1)

Effective January 1, 2007, the law requires persons, other than a governmental entity, homeowner, or tenant, who maintain an office or transact business in New Jersey and make payments for services to certain unincorporated construction contractors and unregistered individuals to withhold New Jersey Gross Income Tax at the rate of 7% from those payments. For more information regarding the withholding requirement for contractor services, go to the Division's Web site at:
www.state.nj.us/treasury/taxation/noticegit.shtml.

Unemployment and Disability Taxes
If you are employing, or expect to employ, one or more persons, you should notify the Division of Revenue and Enterprise Services so that a determination can be made as to whether or not you are subject to the law. Under the law (N.J.S.A. 43:21-19(h1) et seq.) it is your responsibility to make the fact known.

Determination of Liability - If you start a business and employ one or more individuals and pay wages of $1,000 or more in a calendar year, you may be subject to the law.

If you acquire the organization, trade or business, or substantially all the assets of an employing unit which is already subject to the law, you immediately become a subject employer.

If you are subject to the provisions of the Federal Unemployment Tax Act (FUTA) you automatically become subject under the law, unless the services performed are specifically excluded under the New Jersey law. An employing unit is generally subject to FUTA if it had covered employment during some portion of a day in 20 different calendar weeks within the calendar year or had a quarterly payroll of $1,500 or more.

Note: Agricultural Employers -You are liable for contributions on wages paid to agricultural employees if:

1. You were already a registered employer, or
2. Not registered, you were or became subject to the Law, having paid wages of $1,000 or more in a calendar year to one or more workers for services performed in a non-agricultural business operation, or
3. You acquired the organization, trade or business, or substantially all the assets of an employing unit already subject to the law, or
4. You are subject to the Federal Unemployment Tax Act, or
5. Not subject under the above provisions, you:
    1. Paid gross cash remuneration of $20,000 or more to individuals employed in

agricultural labor during any calendar quarter, or

2. Employed ten or more individuals in agricultural labor, regardless of whether they were employed at the same moment of time, for some portion of a day in each of 20 different calendar weeks, whether or not such weeks were consecutive.

Special Employers - Under certain circumstances, a crew leader who provides a crew to an agricultural employer, can be considered the employer of the crew for unemployment tax purposes. The agreement between the crew leader and entity must comply with all federal and State regulations and the crew leader must be registered under the New Jersey Crew Leader Registration Act. For further information contact any Regional Office.

Domestic Employers - In order for you to become subject to the law, you must have paid gross cash wages of at least $1,000 to domestic labor in a calendar quarter.

The State of New Jersey and its political subdivisions are subject to the law.

Set Off of Individual Liability
(N.J.S.A. 54A:9-7 et *seq.)*

Public Laws of 1981, Chapter 239, provides the authority for the New Jersey Department of the Treasury to apply or cause to be applied any monies due a taxpayer as a Gross Income Tax refund or Homestead Property Tax rebate, or both, if necessary, toward satisfaction of any indebtedness that the taxpayer may have outstanding to any agency or institution of the New Jersey State *Government* or the Internal Revenue Service.

Corporation Business Tax
(N.J.S.A. 54:10A-1 *et seq.)*

The Corporation Business Tax Act imposes a franchise tax for the privilege of having or exercising a corporate charter, deriving income or doing business, employing or owning capital or property or maintaining an office in New Jersey. The tax also applies to foreign corporations falling into one of the following categories:

- Holds a general Certificate of Authority issued by the Division of Revenue and Enterprise Services to do business in New Jersey; or
- Holds a certificate, license, or other authorization issued by another New Jersey department or agency authorizing it to engage in business within New Jersey; or
- Employs or owns capital in New Jersey; or
- Employs or owns property in New Jersey; or
- Maintains an office in New Jersey; or

- Derives receipts from sources in New Jersey; or • Engages in contacts in New Jersey; or
- Does business in New Jersey.

Returns are required to be filed on or before the 15th day of the fourth month following the close of the taxpayer's accounting period. Every corporation must, before commencing to do business in this State, obtain a Corporate Charter from the Division of Revenue and Enterprise Services.

New Jersey S Corporations

P.L. 1993, Chapter 173, provides that a corporation may elect to be treated as a New Jersey S corporation. A corporation may make the election to be treated as a New Jersey S corporation only if the corporation is or will be an S corporation pursuant to Section 1361 of the Internal Revenue Code, and each initial shareholder of the corporation consents to the election and the jurisdiction requirements by submitting the S corporation election form (CBT-2553).

Notice of Business Activities Reporting Act

(N.J.S.A. 14A:13-14 to 14A:13-23)

Foreign corporations which carryon any activity or own or maintain any property in this State, unless specifically exempted, must file an annual Notice of Business Activities Report. No report is necessary if the foreign corporation has received a Certificate of Authority to do business in New Jersey or has filed a timely return as required under the Corporation Business Tax or the Corporation Income Tax Acts.

The failure of a foreign corporation to file a timely report may prevent the use of the courts in New Jersey for all contracts executed and all causes of action that arose at any time prior to the end of the last accounting period for which the corporation failed to file a required timely report.

Corporation Banking and Financial Business Tax

(N.J.S.A. 54:10A-l *et seq.)*

Banking and financial businesses that operate as corporate entities are subject to the provisions of the New Jersey Corporation Business Tax Act. For a calendar year operation, a Banking and Financial Corporation Return (BFC-l) is due on the 15th day of April or the 15th day of the fourth month after the close of the fiscal year.

Sales and Use Tax

(N.J.S.A. 54:32B-l *et seq.)*

A tax is imposed on the receipts from every retail sale or rental of tangible personal property, food and beverage sold by restaurants or caterers, and charges for admissions and occupancies of hotel rooms except as otherwise provided in the Act. The tax is also imposed on the receipts

from every sale except for resale of certain services as enumerated in the Act including, for example, installing, repairing or maintaining tangible or real property, storage services, telecommunications, direct mail processing, investigation and security services.

A Use Tax is imposed on items acquired for use in this State on which a Sales Tax would be due but has not been paid.

The law exempts many items such as food ingredients for human consumption, prescription drugs, ordinary clothing and footwear, and utilities such as water, steam, and fuel.

The Act further provides tax exemptions for certain items and services when used or consumed under specifically defined conditions or circumstances.

The Sales and Use Tax is imposed on the consumer; however, every person required to collect any tax imposed by this Act shall be personally liable for collecting and remitting such tax.

Persons required to collect the tax and persons accepting exemption certificates must complete the Registration Application (NJ-REG).
Sales and Use Tax returns (Forms ST-50/ST-51) must be filed electronically, either online or by phone. All vendors are required to file quarterly returns (Form ST-50), and some vendors may also have to file monthly returns (ST-51).

Salem County
(N.J.S.A 54:32B-8.45 *et seq.)*

Certain sales made by businesses located in Salem County are taxable at a reduced Sales Tax rate. To qualify for the rate, the sale must be made from a place of business regularly operated by the vendor for the purpose of making retail sales at which items are regularly exhibited and offered for retail sale and which is not utilized primarily for the purpose of catalogue or mail order sales. Also, merchandise must be ordered or picked up in person by the purchaser at the place of business in Salem County. Salem County vendors file the ST-450 return.

Atlantic City Luxury Sales Tax
(N.J.S.A. 40:48-8.15 *et seq.)*

Atlantic City imposes a tax on specified retail sales or sales at retail occurring within the city limits. "Retail sale" or "sale at retail" is defined to include:

- Any sale in the ordinary course of business for consumption of whiskey, beer or other alcoholic beverages by the drink in restaurants, cafes, bars, hotels, and similar establishments;
- Any cover, minimum, entertainment or other similar charge made to any patron of any

restaurant, cafe, bar, hotel or other similar establishment;

- The hiring (with or without service) of any room in any hotel, inn, rooming or boarding house;
- The hiring of any rolling chair, beach chair or cabana; and
- Admissions to any theater, moving picture, pier, exhibition or place of amusement.

Vendors are required to be licensed. Sales to or by the State of New Jersey or its political subdivisions, sales exempt under federal law, and sales by a church or bona fide nonprofit charitable association are exempt.

The ST-250 return is required to be filed by vendors on or before the 20th day of each month covering receipts for the preceding calendar month. Taxes are paid by the purchaser to the vendor who remits the tax to the State. Payment accompanies the return.

Cape May County Tourism Sales Tax
(N.J.S.A. 40:54D-l *et seq.)*

The Tourism Improvement and Development District Act authorizes qualified municipalities to levy an additional Sales and Use Tax on predominantly tourism-related retail sales. The retail sales to be taxed include admissions, hotel occupancies, food and drink sold in restaurants, or similar establishments.

To qualify for the additional Sales Tax, all such retail sales must be taxable under the Sales and Use Tax Act (P.L. 1966, Chapter 30; N.J.S.A. 54:32B-l *et seq.).* The local Sales and Use Tax would "piggyback" onto the State Sales and Use Tax which would be collected by the Division of Revenue and Enterprise Services placed in a special reserve fund to pay principal and interest on bonds and notes issued by the tourism authority for financing tourism promotion activities and projects within the district. Businesses that make sales of tourism-related items will file the ST-350 return on a monthly basis.

Urban Enterprise Zone
(N.J.S.A. 52:27H-60 *et seq.)*

The Urban Enterprise Zone Act authorizes certain tax benefits for businesses designated as "qualified" by the Department of Commerce and Economic Development. These tax benefits are covered under the Sales and Use Tax Act and the Corporation Business Tax Act.

Application can be made with the Division of Revenue and Enterprise Services for these benefits only after the business has been designated as "qualified" by the Department of Commerce and Economic Development.

State Occupancy Fee and Municipal Occupancy Tax
(N.J.S.A. 40:48E-l *et seq.)*

As of August 1, 2003, there is a State Occupancy Fee imposed on the rental of a room in a hotel, motel or similar facility, other than for assembly purposes. The rate in all municipalities other than Newark, Jersey City, Atlantic City, Wildwood, Wildwood Crest and North Wildwood was 7% as of August 1, 2003, and is reduced to 5% as of July 1, 2004. The State Occupancy Fee in those specific municipalities remains constant at 1%, except for the Wildwoods, where it is 3.15%. In addition, each municipality may adopt an ordinance imposing a Municipal Occupancy Tax which can be imposed at a rate of up to 1% as of August 1, 2003, and up to 3% as of July 1, 2004.

There is an exemption from the State Occupancy Fee and Municipal Occupancy Tax for rentals by agencies and instrumentalities of the federal government, agencies, instrumentalities and political subdivisions of the State of New Jersey and the United Nations and similar organizations. Holders of an Exempt Organization Certificate (ST-
5) are not exempt from the Occupancy Fee or Tax.

All businesses engaged in renting rooms in a hotel or similar facility must file the HM-100 Return by the 20th of each month and report and remit the State Occupancy Tax and the Municipal Occupancy Fee, if applicable. The HM-100 is also available on the Division's Web site.

Alcohol Beverage Tax
(N.J.S.A. 54:43-1 *et seq.)*

The Alcoholic Beverage Tax Act imposes taxes on alcoholic beverages.

The Alcoholic Beverage Tax is to be paid by manufacturers, wholesalers and other persons licensed by the Division of Alcoholic Beverage Control. Retail licenses are authorized and issued by municipalities of New Jersey.

Cigarette Tax
(N.J.S.A. 54:40A-1 *et seq.)*
A tax is imposed on the sale, use or possession for sale or use within New Jersey of all cigarettes. License fees are payable by distributors, wholesalers, manufacturers, retailers and vending machine retailers.

Motor Fuels Tax
(N.J.S.A. 54:39-101 *et seq.)*
The Motor Fuels Tax applies to sales of gasoline, diesel fuel or liquefied petroleum gas used in motor vehicles on public highways.

Note*:* Motor Fuels Use Tax (N.J.S.A. 54:39A-1 et seq.) is administered by the New Jersey Motor

Vehicle Commission and imposes a Fuel Use Tax on certain commercial and omnibus vehicles. This tax is based on the amount of motor fuels used in their operations within New Jersey. For further information, contact the New Jersey Motor Vehicle Commission, 20 S. Montgomery Street, Trenton, New Jersey 08660 or at *www.state.nj.us/mvs/*

Insurance Premiums Tax
(N.J.S.A. 54:16-1 *et seq.,* 16A-1 *et seq.,* 54:18A-1 et seq., 54:17-4 et seq.)

Insurance Premiums Tax applies to premiums collected on insurance risks in this State during the preceding calendar year. The tax applies to every stock, mutual and assessment insurance company organized or existing under any general or special law of this State or any other state or foreign country transacting business in this State.

Taxable premiums of life insurance companies include all gross contract premiums except premiums for reinsurance and annuity considerations, less certain specified deductions. Non-life companies generally are taxed upon gross premiums and assessments except reinsurance premiums less certain deductions.

An annual Premium Tax return, reporting the tax liability for the preceding calendar year, must be filed and the tax paid by March 1 of each year. The March 1 return must also include a prepayment of the current year's tax liability equivalent to 50% of the prior year's tax liability. An additional prepayment of the current year's liability, also equivalent to 50% of the prior year's tax liability, is due June 1 of each year.

A tax on the premiums for fire insurance written by a company not organized under the laws of New Jersey must be reported and paid to the treasurer of a duly incorporated firemen's relief association in which the fire insurance risk is located by March 1 of each year, covering the preceding calendar year. The company must also report these premiums on the annual premium tax return. A deduction for the amount of tax paid directly to a firemen's relief association(s) applicable to the calendar year covered by the annual Premium Tax return is allowed.

A tax on the three-year average underwriting profits on ocean marine insurance is reported to the Commissioner of Insurance by April 1 of each year.

A tax on premiums charged for surplus lines coverage is collected from the insured by the surplus lines agent.

Insurance companies may also be subject to retaliatory tax under certain provisions in the law (N.J.S.A. 17:32-15. 17B:23-5).

Realty Transfer Fee
(N.J.S.A. 46:15-5)

Recording of deeds which transfer title to real property in New Jersey is subject to the Realty Transfer Fee. The fee is collected by the County Clerk or County Registrar of Deeds when the deed is presented for recording in the county in which the transfer of title occurred.

Public Utility Franchise Tax
(N.J.S.A. 54:30A-49 *et seq.)*

The Public Utility Franchise and Gross Receipts Taxes apply to persons, co-partnerships, associations, and corporations, other than those specifically exempted, operating as sewerage or water companies or providing sewerage and water service in the State of New Jersey.

Inquiries concerning this tax should be directed to the Public Utility Tax Section of the Division of Taxation at (609) 633-2576.

Local Property Tax
(N.J.S.A. 54:4-1 *et seq.)*

The Local Property Tax is measured by property values and is apportioned among taxpayers according to the assessed value of taxable property owned by each taxpayer. The tax applies to real estate and tangible personal property of telephone and telegraph companies and messenger systems.

The property tax is a local tax assessed and collected by municipalities for the support of municipal and county governments and local school districts. No part of it is used for support of State government.

Spill Compensation and Control Tax

(N.J.S.A. 58:10-23.11 *et seq.)*
The Spill Compensation and Control Tax is imposed upon the transfer of petroleum products and other hazardous substances, as determined by the New Jersey Department of Environmental Protection, within New Jersey.
The tax is payable by:

1. the operator or owner of the receiving major facility or vessel on a transfer of a hazardous substance from a major facility or vessel; or
2. the operator or owner of the transferring New Jersey major facility on a transfer of a previously untaxed non petroleum hazardous substance to a non-major facility; or

3. the owner of a hazardous substance transferred to a public storage terminal from a major facility or vessel.

A major facility is a facility with a storage capacity of 200,000 gallons or more for all hazardous substances, including petroleum products, or a storage capacity of 20,000 gallons or more of non- petroleum hazardous substances.

The SCC-5 return is required to be filed on or before the 20th day of each month for the preceding month's hazardous substance transfers.

Litter Control Fee
(N.J.S.A. 13:1 E-213 through 13:1 E-223)

The Clean Communities and Recycling Grant Act imposes an annual Litter Control Fee on all gross receipts from wholesale sales and on all gross receipts from retail sales of litter-generating products sold within or into New Jersey by each person engaged in business in the State as a manufacturer, wholesaler, distributor, or retailer of such products. Any retailer with less than $500,000 in annual retail sales of litter-generating products is excluded from this fee for that calendar year. Annual returns (LF-5) are required to be filed on or before March 15 of each year.

Litter-generating products are: beer and other malt beverages, cigarette and tobacco products, cleaning agents and toiletries, distilled spirits, food for human or pet consumption, glass containers sold as such, groceries, metal containers sold as such, motor vehicle tires, newsprint and magazine paper stock, nondrug drugstore sundry products, paper products and household paper other than roll stock and wood pulp, plastic or fiber containers made of synthetic material and sold as such, soft drinks and carbonated waters, and wine.

Sanitary Landfill Taxes

All sanitary landfill taxes are reportable on one consolidated Sanitary Landfill Tax Return (Form SLT-5).

The Consolidated Sanitary Landfill Tax Return (Form SLT-5) must be filed by the 20th day of the month following that in which tax liability was first incurred and monthly thereafter.

Landfill Closure and Contingency Tax
(N.J.S.A. 13:1 E-100 *et seq.)*

The Landfill Closure and Contingency Tax is levied upon the owner or operator of every sanitary landfill facility located in New Jersey on all solid waste accepted for disposal.

The Act also requires the sanitary landfill facility owner or operator to establish an escrow account, administered by the New Jersey Department of Environmental Protection, and to deposit into the account $1.00 per ton of all solid waste accepted for disposal.

Solid Waste Services Tax
(N.J.S.A. 13:1 E-138a)
The Solid Waste Services Tax is levied on the owner or operator of every sanitary landfill facility in New Jersey on all solid waste accepted for disposal.

The revenue collected from the Solid Waste Services Tax will be deposited in the Solid Waste Services Tax fund to be administered by the New Jersey Department of Environmental Protection.

Petroleum Products Gross Receipts Tax
(N.J.S.A. 54:15b-1 *et seq.)*

The Petroleum Products Gross Receipts Tax imposes a tax on (a) the gross receipts derived or gallons sold from the first sale of petroleum products made to points in New Jersey, and (b) the dollar consideration given or contracted to be given for petroleum products imported or caused to be imported for use or consumption within New Jersey.

Receipts from (a) the sale of home heating oil and propane gas used exclusively for residential use, and (b) the sale of petroleum products to governmental entities and exempt organizations are exempt. This exemption does not extend to home heating oil and propane gas for commercial use.

Monthly remittances (PPT-41) and Quarterly reconciliation returns (PPT-40) are required to be filed no later than the 25th day of the month following the end of the month the tax was collected.

Tobacco Products Wholesale Sales and Use Tax
(N.J.S.A. 54:40B-1 *et seq.)*

The Tobacco Products Wholesale Sales and Use Tax is imposed on sales of all tobacco products (excluding cigarettes as defined in N.J.S.A 54:40A-2) by a wholesaler or distributor.

Distributors and wholesalers who also sell tobacco products at retail or otherwise use the tobacco products must pay a compensating use tax on the wholesale sales price of the products.

Monthly returns (TP-20) are required to be filed no later than the 20th day of the month following the month the tax was collected.

Domestic Security Fee
(N.J.S.A. App. A:9-78 as amended by P.L. 2006, Chapter 42 § 1)

The Domestic Security Fee Act imposes a $5 per day fee on motor vehicle rental companies for each day or part thereof that a motor vehicle is rented for the transportation of persons and noncommercial freight, for a period of not more than 28 days. The fee, which must be designated as the
"Domestic Security Fee" in the rental agreement, is separate from and in addition to any Sales and Use Tax imposed on the rental transaction and is not to be included in the receipts subject to Sales and Use Tax liability assessed pursuant to the "Sales and Use Tax Act," P.L.1966, Chapter 30 (C.54:32B-1 et seq.).

The fee must *be* reported on Form DSF-100, which is filed telephonically or by using an Internet based application on the Division of Taxation's Web site. The quarterly return must be filed whether or not there are any fees due for the quarter.

See the Technical Bulletins on this fee at: *www.state.nj.us/treasury/taxation/publtb.shtml*

New Jersey Motor Vehicle Tire Fee
(N.J.S.A. 54:32F-1)

As of August 1, 2004, a fee of $1.50 per tire is imposed on the retail sale of new motor vehicle tires, including tires that are a component part of a motor vehicle that is sold or leased. The Motor Vehicle Tire Fee is imposed on those transactions that are subject to the New Jersey Sales Tax Act. Thus, it is not imposed on sales made to federal or State governmental agencies and entities, qualified exempt organizations; sales for an exempt use; sales to nonresidents. See the Division's July 1, 2004, Notice for additional information about the Motor Vehicle Tire Fee and valid exemptions at:
www.state.nj.us/treasury/taxation

Cosmetic Medical Procedures Gross Receipts Tax
(N.J.S.A. 54:32E-1)

Effective September 1, 2004, the law imposes a 6% Cosmetic Medical Procedures Gross Receipts Tax (CMPGRT) on the purchase of certain "cosmetic medical procedures," which are medical procedures performed primarily in order to improve a person's appearance.

P.L. 2011, Chapter 189, which was signed into law on January 17, 2012, phases out the Cosmetic

Medical Procedures Gross Receipts Tax over the next two years. A reduction in the tax is applicable for periods beginning in calendar year 2012.

Beginning July 1, 2012, the current 6% tax rate imposed on the gross receipts from cosmetic medical procedures as defined by the Act (N.J.S.A. 54:32E-1) will be reduced. The schedule for the tax phase out is as follows:

For procedures performed on or after July 1, 2012 but before July 1, 2013 the tax rate will be 4%.

For procedures performed on or after July 1, 2013 but before July 1, 2014, the tax rate will be 2%

For procedures performed on or after July 1, 2014 the tax rate will be 0% (the tax is entirely eliminated).

Note: The first returns reflecting the collection of tax at the 4% rate were due on October 20, 2012. The tax does not apply to procedures that significantly serve to prevent or treat illness or disease or to correct abnormalities caused by birth defects, developmental abnormalities, trauma, tumors, infection or disease, or to promote proper functioning of the body. The tax also applies to the sale of goods and of facility occupancies (e.g., hospital or clinic stays) that are required for or directly associated with the taxable cosmetic medical procedure.

Providers of the taxable cosmetic medical procedures, or related goods or occupancies, must collect the CMPGRT from the person on whom the taxable procedure is performed. The 6% tax is calculated on the amount charged to the subject of the taxable procedure for the procedure, or for the associated goods or occupancies. Providers of taxable cosmetic medical procedures, goods, and occupancies may include, but are not limited to, surgeons, dermatologists, electrologists, spas, hair replacement facilities, salons, hospitals, and clinics that may at some time perform cosmetic medical procedures or provide the subject with medical facility occupancies or goods required for or directly associated with such procedures.

Every quarter, on the 20th of the month following the end of the quarter, providers must file a quarterly cosmetic medical procedures gross receipts tax return, CMPT-100, via either Internet or telephone, and at that time must remit any CMPGRT Tax collected during the quarter.

Emergency Preparedness and 9-1-1 System Assessment
(N.J.S.A. 52:17C-17 et seq.)

The "Emergency Preparedness and 9-1-1 System Assessment" fee of 90¢ is to be 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 law became effective July 1, 2004, for mobile telecommunications and August 1, 2004, for PBX Systems.

The fee must be reported on Form ERF-100, which is required to be filed on or before the 20th day of the month following the close of the calendar quarter and must be filed by phone. Payments must be made by electronic check, electronic funds transfer, or credit card.

For more information on the "Emergency Preparedness and 9-1-1 System Assessment" fee, please see "Notice to Telecommunications Providers" available on the Division's Web site found at: *www.state.nj.us/treasury/taxation/pdf/911fee.pdf*