

**URBAN ENTERPRISE
ZONE
TAX QUESTIONS
AND
ANSWERS**



Urban Enterprise Zone Program
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TABLE OF CONTENTS

General Information.....	Page 2
Corporation Business Tax.....	Page 7
Sales Tax Purchase Exemption.....	Page 10
Partial Sales Tax Exemption	Page 15
Miscellaneous Information.....	Page 19
Legal Sources.....	Page 19
References/UEZ Contact Information.....	Page 19
Local UEZ Municipal Offices.....	Page 20

GENERAL INFORMATION

1. What is the Urban Enterprise Zone Program and why was it created?

Answer - New Jersey's Urban Enterprise Zone ("UEZ") Program was enacted in 1983, and is administered by the Department of Community Affairs. The UEZ Program was created to revitalize designated urban communities and stimulate their growth by encouraging businesses to develop and create private sector jobs through public and private investment in the designated zones.

2. What is a UEZ?

Answer – A UEZ is a designated area within a municipality which has suffered economic problems and meets certain other criteria as indicated below. (See question 5.)

3. Where are UEZs usually located?

Answer – Generally, UEZs are located in industrial and/or commercial areas of a city within a continuous boundary. However, there are a few joint UEZs comprised of portions of two or more adjoining cities which may or may not have a continuous boundary.

4. What is the Urban Enterprise Zone Authority?

Answer – The UEZ Authority is a nine member authority, established under N.J.S.A. 52:27H-60, et seq., consisting of the CEO of the New Jersey Economic Development Authority, the Commissioner of the Department of Community Affairs, the Commissioner of the Department of Labor and Workforce Development, and the State Treasurer or their designees, together with five public members. The [Urban Enterprise Zone Authority](#) ("the Authority"), is the governing body that administers the Urban Enterprise Zones Act and its programs.

5. How are UEZs established?

Answer – 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.

6. When does a designated UEZ become effective?

Answer – A UEZ becomes effective when designated by the Authority and the designation has been accepted by city ordinance. Benefits are not available until the UEZ designation is

effective and the business has been certified as being qualified to receive zone business benefits offered under the UEZ Program.

7. How many UEZs have been established?

Answer – The initial legislation authorized the designation of the following ten UEZs by the Authority: Camden, Newark, Bridgeton, Trenton, Plainfield, Elizabeth, Jersey City, Kearny, Orange, and Millville/Vineland (joint UEZ).

In 1994, the legislation was amended and ten more UEZs were added to the economic development program. Of the ten new UEZs, six were predetermined: Paterson, Passaic, Perth Amboy, Phillipsburg, Lakewood, Asbury Park/Long Branch (joint UEZ). The four remaining UEZs, Carteret, Pleasantville, Union City and Mount Holly, were selected on a competitive basis.

The legislation was amended in 1996 to include seven additional UEZs. They were all predetermined and include: East Orange, Guttenberg, Hillside, Irvington, North Bergen, Pemberton and West New York. The legislation was amended again in 2002 to include three more UEZs: Bayonne City, Roselle Borough, and a joint UEZ consisting of North Wildwood City, Wildwood City, Wildwood Crest Borough and West Wildwood Borough. Legislation amended in 2004 added Gloucester City and New Brunswick, creating a total of 32 UEZs in 37 cities.

8. When can a business owner obtain tax benefits in a UEZ?

Answer – A business owner can obtain tax benefits in a UEZ when certified by the Authority as a qualified business within a designated UEZ or UEZ-impacted business district. Exemption certificates are issued by the Division of Revenue to qualified businesses operating in UEZs, on the date of certification.

9. How does a business become certified as a “qualified business” in a UEZ?

Answer – A business becomes certified as a “qualified business” in a UEZ or UEZ-impacted business district, by completing a Certification Application using the online Urban Enterprise Zone Business Certification System which is accessible through the New Jersey Premier Business Services portal. Refer to the step-by-step instructions for assistance.

10. What tests are used by the Authority to decide whether a business shall be certified in a UEZ?

Answer – The tests used by the Authority are that the business will create new employment in the city containing the UEZ and will not create unemployment elsewhere in the State (including that city), and the business has no outstanding State tax obligations. N.J.S.A. 52:27H-62.

11. What other tests must businesses meet?

Answer – The business must be engaged in a trade or business in a UEZ at the time the UEZ is designated as a UEZ. A new business in an already designated UEZ must be engaged in the active conduct of a trade or business in that UEZ and must meet one or more employment tests. (See question 12 for an explanation of the employment tests.)

12. What are the employment tests for businesses operating in UEZs?

Answer – A business in a UEZ must have at least 25% of its new full-time employees hired during its first three years in the program meeting one or more of the following criteria:

- (a) Residents within any qualifying city in which is located a UEZ or a UEZ -impacted district; or
- (b) Unemployed for at least six months prior to being hired and residing in New Jersey, or recipients of New Jersey public assistance programs for at least six months prior to being hired; or
- (c) Determined to be low-income individuals pursuant to the Workforce Investment Act of 1998.

13. Are there options for a business that may not be able to meet the employment criteria for continued eligibility?

Answer - Yes. If the Authority determines that an applicant is unable in good faith to meet the 25% requirement, the Authority may reduce the requirement below 25% for that business, conditioned upon an agreement between the business and the UEZ municipality, and approved by the Authority in advance of implementation, (“Good Faith Waiver”) that the business will implement and/or sponsor certain specified training and job programs for a specified period of time as designated by the Authority.

14. Is there an alternative if a business is unable to increase its employment?

Answer – Yes. There is an alternative method for a business to continue to be certified when it is unable to increase its full-time permanent employment. If a business has fewer than 50 employees and was in business in the UEZ at least one year prior to the designation as a UEZ, the business may recertify for three years if it enters into an agreement “in lieu” of the employment increase with the city to make an expenditure during those three years which contributes substantially to the economic attractiveness of the UEZ, and the agreement is not operative until it is approved by the Authority. Certain qualified businesses may take a credit against the investment made in the UEZ. (See questions 32 and 33 for details.)

15. What are the business benefits that a qualified business may receive?

Answer - The benefits that a qualified business may receive are the right to purchase taxable tangible personal property (except motor vehicles, parts or supplies), and most services (except telecommunications and utility service), without paying sales tax; credits against corporation business tax for certain businesses hiring new employees or making an investment within a UEZ; and an award based upon the amount of unemployment insurance tax that the qualified business has paid for new employees. Qualified retail businesses designated as certified sellers operating in UEZs or UEZ-impacted business districts, may apply a partial sales tax exemption that is half of the State's sales tax rate to most taxable sales of tangible personal property. Qualified UEZ manufacturers that meet specific eligibility requirements may apply for a sales or use tax exemption on natural gas and electricity consumed at the certified location.

16. Can a qualified business receive benefits before becoming certified into the program?

Answer – No. Benefits are effective from the date of certification.

17. What is an Urban Enterprise Zone-impacted business district?

Answer – A UEZ-impacted business district is an economically-distressed business district that has been negatively impacted by the presence of two or more adjacent UEZs in which sales tax is collected at a reduced rate of 50%.

18. How does the Authority designate a UEZ-impacted business district?

Answer – A city must demonstrate to the Authority that its business district is economically distressed and is being negatively impacted by the presence of two or more adjacent UEZs in which certified sellers apply a partial sales tax exemption for taxable retail sales of qualified tangible personal property. The Authority will consider whether the district is located in a city which is between two municipalities, each of which has a UEZ, and whether the borders of the two UEZs of the adjacent cities are contiguous to the border of the applicant city. Currently the Authority has not designated any city as a UEZ-impacted business district.

19. What are the benefits available to a qualified business within the UEZ-impacted business district?

Answer – The only benefit available to a qualified business located within the UEZ-impacted business district is the authority to apply a partial sales tax exemption on most taxable retail sales of tangible personal property.

20. How does a qualified business within a UEZ-impacted business district qualify for benefits?

Answer – The business must become certified by meeting the same eligibility requirements as businesses that operate within UEZs. (See questions 9 through 13.)

21. When do the benefits available to UEZ-impacted districts terminate?

Answer – The designation as a UEZ-impacted district will terminate automatically when the duration of the last UEZ adjacent to the UEZ-impacted district ends.

22. What is an Unemployment Insurance Based Award?

Answer – An Unemployment Insurance Based Award is a rebate based on the amount of unemployment insurance contributions paid on wages to qualified employees of an employer that has been certified as a qualified business in the UEZ Program by the New Jersey Department of Community Affairs. In addition to meeting certain residency and hiring criteria, eligible employees must be full-time (working at least 30 hours a week) and earn less than \$4,500 per quarter. Unemployment Insurance Based Awards are administered through the New Jersey Department of Community Affairs in conjunction with the New Jersey Department of Labor and Workforce Development. Details on the Unemployment Insurance Based Award as well as application procedures are available from the Division of Labor and Workforce Development's website at <http://lwd.dol.state.nj.us/labor/employer/ea/empinfo/uez.html>. You may also contact the UEZ Coordinator for the Program by calling (732) 296-7000, ext. 7060.

The award is not available to businesses located within UEZ-impacted districts.

23. When is a qualified business recertified?

Answer – A business may apply for recertification every three years for continued eligibility in the UEZ program, but every business must file an annual report and acquire tax clearance on an annual basis.

24. Are businesses ever denied recertification?

Answer – Yes. If a qualified business is unable to exceed the number of employees it had when it initially met the employment tests required for qualification, the business no longer meets the criteria for being a qualified business and loses its UEZ or UEZ-impacted district benefits. Recertification is conditional upon the business having no outstanding State tax obligations. N.J.S.A. 52:27H-62. The Authority continually monitors businesses to ensure that they remain in compliance with the statutory criteria for being a qualified business.

CORPORATION BUSINESS TAX**25. What corporation business tax credits are available to qualified businesses operating in UEZs?**

Answer - Qualified businesses that are corporations may take credits against corporation business tax for either hiring new employees or making an investment within the UEZ, (see questions 32 and 33, below), but not both. Corporate tax benefits are unavailable to qualified businesses located within a UEZ-impacted district.

26. How is the employee tax credit granted?

Answer – A qualified business which is **not** retail sales or warehousing oriented may be entitled to an employee tax credit. The credit is available to corporations subject to corporation business tax that hire new employees at the UEZ location after they become certified. The corporate entity may either claim a \$1,500 or \$500 credit for each new employee provided that all criteria have been met. (See question 27.)

27. What is the difference between these two types of employee tax credits?

Answer – A corporation may claim a one-time credit of \$1,500 for each new full-time permanent employee who resides in any city that contains a UEZ and who immediately prior to employment by the qualified business, was unemployed for at least 90 days or dependent upon public assistance as the primary source of income.

A corporation may claim a one-time credit of \$500 for new full-time permanent employees who do not meet the qualification for the \$1,500 tax credit but are residents of any city in which a designated UEZ is located, and were not employed at a location within the qualifying city immediately prior to being employed by the qualified business.

The credit is available only for new full-time permanent employees who have been employed by the qualified business for at least six continuous months during the year for which the credit is claimed. For a new employee to be considered full-time and permanent, the total number of full-time permanent employees, including the new employee, employed by the qualified business during the calendar year must exceed the greatest number of full-time permanent employees employed in the UEZ by the qualified business during any prior calendar year since the designation of the UEZ.

28. How long must the new employee remain employed?

Answer – A tax credit may be available for each new full-time permanent employee who was hired in the preceding tax year, and was employed for at least six consecutive months during the tax year for which the credit is claimed, provided the employee works at the business location within the designated UEZ.

Example: If a corporation is on a calendar year, it hires new employees between April 20, 2012, and December 31, 2012. The employer cannot claim an employee credit in 2012 for any of the employees whether they were employed for more than six months or less in 2012. Any qualifying employees hired in 2012 who work continuously through June 30, 2013 (6 months) can result in the credit for the 2013 tax-year on the Corporation Business Tax return.

29. How does a business claim the employee tax credit?

Answer –The qualified business must file a completed [Form 300](#) (Urban Enterprise Zone Employees Tax Credit and Credit Carry Forward) with a New Jersey Corporation Business Tax Return (CBT-100, CBT-100S, or BFC-1). The credit is claimed on page 1 of the return. Each claim for a UEZ tax credit must include proof that the corporation is a qualified business. Form 300 is available from the Division of Taxation’s web site.

30. How much credit can a business claim?

Answer – There is no maximum limit that can be claimed. However, only 50% of the corporation business tax otherwise due may be offset by the credit in any tax year.

31. Is the unused credit in any tax year lost?

Answer – No. Unused credits are carried over to succeeding tax years and may be applied against 50% of the corporation tax due, up to the later of the date of termination of the UEZ or 20 years from the date on which corporation business tax was first payable.

32. Is there any other tax benefit available for a corporation that is not eligible for the employee tax credit?

Answer – Yes. A corporate tax credit is available to qualified small businesses (under 50 employees) operating in the UEZ prior to its designation as a UEZ, or prior to a UEZ expansion, that makes an investment in the UEZ. A qualified small business may obtain an 8% investment tax credit to be applied against any corporation business tax the business is liable for in the tax year that the expenditure is made. To claim the investment tax credit, there must be an agreement with the city, pursuant to which the business must make an investment in the UEZ which contributes substantially to the economic attractiveness of the UEZ and has been approved by the Authority. The expenditures a business makes may include improvements to the appearance of customer facilities at its place of business, or improvements in landscaping, repair or maintenance of public streets, sidewalks, and recreational areas, and increasing/improving police and fire protection, etc., within the UEZ. Unused credits may be carried over to succeeding tax years. (See question 31.)

33. How does a qualified business claim the investment tax credit?

Answer – The qualified business must file a completed [Form 301](#) (Urban Enterprise Zone Investment Tax Credit and Credit Carry Forward) with a New Jersey Corporation Business Tax Return (CBT-100, CBT-100S, or BFC-1). The credit is claimed on page 1 of the return. Each claim for a UEZ tax credit must include proof that the corporation is a qualified business. Form 301 is available from the Division of Taxation’s web site.

SALES TAX PURCHASE EXEMPTION**34. What types of tangible personal property can a qualified business purchase, lease or rent under the sales tax purchase exemption?**

Answer – The purchase exemption applies to items such as office supplies and stationery, office or business equipment, store furnishings, trade fixtures, and cash registers, repair or construction materials, and all other tangible personal property purchased by a qualified business (other than motor vehicles and parts and supplies, and energy – see questions 40 and 42), for exclusive use or consumption on the premises of the qualified business at its approved UEZ location. Only personal property controlled by the qualified business is eligible for exemption. The exemption **does not** apply to purchases of tangible personal property used as inventory items, or specified digital products. The exemption **does** apply to delivery charges associated with the purchase of tangible personal property.

35. Are any taxable services entitled to the purchase exemption?

Answer – Yes. Services that qualify for exemption when performed exclusively at the UEZ business location include but are not limited to installing, maintaining or repairing tangible personal property used by the qualified business (other than motor vehicles), maintaining, servicing or repairing real property at the qualified business's location including janitorial services, garbage removal and sewer services, landscaping services, information services, and security services. (See questions 53 and 54.)

36. What types of services are not eligible for the purchase exemption?

Answer - Telecommunications services, repairs of motor vehicles and utility service (see questions 37, 40, and 42), limousine services, and storage services are not eligible for the UEZ purchase exemption. Other charges that are not exempt because they are not provided exclusively for the benefit of the qualified business at its certified UEZ location include: parking fees, fees for a membership to a health, sporting or shopping club, restaurant meals, hotel occupancies, and admissions.

37. What constitutes telecommunications services that are not eligible for the purchase exemption?

Answer –The purchase exemption does not apply to sales of telecommunications services such as telephone, fax, and beeper services. However, the purchase or rental of non-mobile telecommunications equipment (e.g. landline phones, fax machines, scanners) that are used exclusively at the qualified business's location in the UEZ, as well as charges for the repair and maintenance of the equipment, qualify for the exemption when such charges are separately stated from the charges for the telecommunications services on the invoice, statement, or receipt.

38. Are security services eligible for the purchase exemption?

Answer – Yes. Alarm monitoring services, armored car services, and ATM cash management services are considered security services which are eligible for the UEZ sales tax exemption as long as the services are exclusively performed for the qualified business location.

39. Does the purchase exemption apply to other types of taxes that a qualified business may be subject to?

Answer – No. The exemption only applies to tax imposed by the Sales and Use Tax Act. Taxes such as the petroleum products gross receipts tax, the motor fuel tax, and the litter control fee are not eligible for the purchase exemption since they are not imposed under the Sales and Use Tax Act.

40. Are purchases of natural gas and electricity eligible for exemption?

Answer – No. Most qualified businesses cannot use their exemption certificates for purchases of gas and electricity. However, manufacturing facilities that are certified as qualified UEZ businesses with at least 250 full-time employees, 50% of whom must work in the manufacturing process, may apply for an exemption from the sales and use tax imposed on energy (electricity and natural gas) and utility service (the transportation or transmission of energy) for exclusive use by the business. (For more information, see question 56.)

41. If a qualified business has other business locations outside of the UEZ, can it purchase tax exempt property for use at those locations?

Answer – No. The statute provides the purchase exemption only for the “exclusive use or consumption of such business within an Enterprise Zone.”

42. Is the exemption applicable for motor vehicles or motor vehicle parts and repairs?

No. The exemption does not include motor vehicles. Thus, purchases, leases, or rentals of vehicles such as trailers, semitrailers, and housetrailers are taxable at the full rate. Purchases of services performed on motor vehicles and motor vehicle replacement and repair parts are also taxable at the full rate.

43. Are purchases, leases, or rentals of nonconventional vehicles, such as forklifts, eligible for the exemption?

Answer – Yes. The sales tax exemption applies to the purchase, lease, rental, and use of nonconventional vehicles used exclusively at the place of business in the UEZ. This exemption also applies to parts and repair services for such vehicles.

44. Are charges for the repair of machinery or equipment of a qualified business that are performed at locations outside a UEZ exempt?

Answer – Yes. Charges for repairs may be exempt provided that the machinery or equipment will be used exclusively at the UEZ location of the qualified business.

45. What does a qualified business give suppliers or lessors as proof of exemption from sales tax on its purchases, leases, or rentals?

Answer – An Urban Enterprise Zone Exempt Purchase Certificate (Form UZ-5), which is a preprinted document issued to the qualified businesses on their dates of certification. *The sales transaction must be completed by delivery within the effective dates on the exemption certificate.* A copy of the UZ-5 must be kept with the seller's records. A qualified business must continue to use a resale certificate for purchases for resale and items purchased to be incorporated into tangible personal property that the qualified UEZ business makes (e.g. inventory), and the ST-4 exemption certificate for qualifying "exempt use" purchases (e.g. commercial trucks, wrapping supplies). Also, the qualified business can provide contractors with a Contractor's Exempt Purchase Certificate, Urban Enterprise Zone (Form UZ-4). (See questions 47 and 48.)

46. Can a UZ-5-SB issued by a qualified business be accepted by a seller as evidence of an exempt transaction?

Answer – No. As of November 1, 2012, all qualified businesses must issue UZ-5s to sellers for exempt purchases. As of that date, UZ-5-SB certificates are no longer valid. If a seller has a UZ-5-SB on file, the seller should ask the business for a fully completed copy of its UZ-5 certificate.

47. Are there any exemptions for a qualified business that repairs or expands its building or improves its grounds?

Answer – Yes. Purchases of materials, supplies, and services used exclusively in erecting structures, or building on, improving, altering, or repairing the real property of a qualified business located in a UEZ are entitled to exemption. The exemption is available when purchased by the qualified business or a contractor.

If the contractor (or subcontractor) is purchasing materials, supplies, or services for use on the property of a qualified business, the contractor (or subcontractor) should complete a UZ-4 which is obtained only from the qualified business. After completing the UZ-4, the contractor may issue copies to its suppliers or its subcontractors. (See instructions on pre-printed Form UZ-4, which is issued to each qualified business upon certification.)

If the qualified business is directly purchasing building or landscaping materials the qualified business should issue a fully completed copy of its UZ-5 in order to make exempt purchases.

48. A contractor (or developer) which is a qualified business buys materials for construction on, or repair of, real property of an owner who is not a qualified business or for property that is intended to be sold or rented. Does the contractor's exemption apply?

Answer – No. The exemption for construction materials is available only if the property owner is a qualified business that intends to retain use of the property. However, a contractor may pay tax at the reduced rate on purchases of materials from a UEZ certified seller in a face-to-face transaction. For eligible reduced rate purchases, there is no requirement that the purchase be made by a qualified business or that the tangible personal property be used in a UEZ or UEZ-impacted district. Both individual consumers and businesses may make eligible reduced rate sales tax purchases. For details on placing orders, delivery, and other requirements which are necessary to purchase at the reduced rate of tax, see the "Partial Sales Tax Exemption" section of this publication, starting on page 17.

49. A contractor rents or leases a crane or other equipment for use on a qualified business construction job. Is the rental or lease exempt from tax?

Answer – No. The exemption for construction materials does not apply to leased or rented equipment used by the contractor for use on a job.

50. Can a qualified business use its exemption outside of an Urban Enterprise Zone?

Answer – Yes. As long as what is being purchased will be used at the zone location and the qualified business issues a copy of its fully completed UZ-5 certificate to the seller.

51. Is a qualified business's purchase of advertising material entitled to the exemption?

Answer – Yes. The exemption applies only to advertising material that is used exclusively at the qualified business's place of business in the UEZ. Examples of exempt materials include: handbills, flyers, sales catalogs, etc. which are distributed from the UEZ business location. The exemption does not apply to materials which are mailed to the qualified business's customers in New Jersey.

52. Can a UEZ business apply for a refund of sales tax made after the business became qualified but before it received the exemption certificate?

Answer – Yes. A qualified business that has been certified by the Authority is entitled to use the sales tax exemption for purchases (including leases and rentals) delivered to the business during the qualification period. Refund claims must be submitted using Form A-3730-UEZ within 1 year of when the sales tax was paid. (See Refund [Instructions](#).)

53. Are laundering, dry cleaning, and similar services eligible for exemption?

Answer – Yes. A qualified business can use its exemption for purchases of cleaning, pressing, and similar services for linens, drapes, carpets, upholstery, etc., if they are used exclusively at the place of business in the UEZ.

54. Are janitorial and other similar types of cleaning services eligible for exemption?

Answer – Yes. A qualified business is exempt from sales and use tax on janitorial services performed exclusively at its business location in the UEZ.

55. How long is the UEZ purchase exemption valid?

Answer – The exemption is valid for one year from the date printed on the UZ-5 exemption certificate so long as the qualified business remains certified in the UEZ Program.

56. What is the UEZ Energy Sales and Use Tax Exemption Program for Manufacturers?

Answer – Manufacturing facilities that are certified as qualified UEZ businesses with at least 250 full-time employees, 50% of whom must work in the manufacturing process, may apply for an exemption from sales and use taxes on energy (natural gas and electricity) and utility service (the method used to transport energy) that is for the exclusive use of the business. Under certain circumstances, a “group” of two more persons may be eligible to apply for the exemption. A qualified business meeting the requirements can apply for the exemption through the New Jersey Economic Development Authority (NJEDA). Additional details on eligibility and the application process are available at [NJEDA's web site](#)

Once approved, a qualified business that is eligible for the exemption will be issued an Urban Enterprise Zone – Energy Exemption Certificate (UZ-6) which the qualified business must furnish to its energy and utility providers to document the exempt purchases.

57. Is the purchase exemption available to businesses located in a UEZ -impacted district?

Answer – No. The purchase exemption is not available for businesses operating in UEZ-impacted districts.

PARTIAL SALES TAX EXEMPTION**58. What is the partial sales tax exemption for which certified sellers are eligible?**

Answer – The partial sales tax exemption is an exemption for 50% of the New Jersey sales and use tax rate.

59. How does a qualified business become a certified seller?

Answer –The seller must be designated as a qualified business within a UEZ or UEZ-impacted district. Then, as part of the application process, the seller certifies to the Authority that it meets the criteria for being a certified seller. To be considered, a UEZ business must operate a business that is owned or leased as a retailer within a UEZ or UEZ-impacted district, and regularly exhibit and offer items for sale at the location which is not used primarily for catalog, mail order, or Internet business. Once approved, a UZ-2 is issued to the certified seller. A business may not apply the partial sales tax exemption when collecting tax on taxable retail sales without a current UZ-2. A UZ-2 is the certificate of authority that a certified seller receives to show it is eligible for the partial sales tax exemption. Recertification for the UZ-2 is automatic unless the business loses its qualified business status or changes ownership or form, etc. Businesses must submit an annual report to retain their qualified business eligibility.

60. When may a qualified business apply to become a certified seller?

Answer – A qualified business applies to become a certified seller when submitting its application to the Authority for certification as a qualified business in the UEZ Program, or at the time of its annual on-line UEZ filing, as long as the qualified business is eligible.

61. How long is the certification effective?

Answer – The UZ-2 is valid for the duration of the qualified business's certification period. When the Authority recertifies the business as a qualified business, a new UZ-2 is automatically sent by the New Jersey Division of Revenue. A UZ-2 becomes invalid if the business no longer meets the requirements for eligibility.

62. Are qualified businesses located within a UEZ-impacted business district eligible for the partial sales tax exemption?

Answer – Yes. The partial sales tax exemption is available for a certified seller operating within an UEZ-impacted business district.

63. What types of sales are eligible for the partial sales tax exemption?

Answer – Retail sales of most tangible personal property.

64. What types of retail sales are ineligible for the partial sales tax exemption?

Answer – Sales tax on the retail sales of alcoholic beverages, cigarettes and energy (natural gas and electricity), manufacturing equipment, machinery, or apparatus, must be collected at the full rate.

65. Are motor vehicle sales eligible for the partial sales tax exemption?

Answer – No. Receipts from sales, leases, and rentals of motor vehicles (including trailers) are taxable at the full sales tax rate.

66. Are sales of motor vehicle parts eligible for the partial sales tax exemption?

Answer – Yes. Motor vehicle parts, but not repair or maintenance services, are eligible for the partial sales tax exemption as long as the seller meets the eligibility requirements and itemizes the parts separately from any service charges that may apply on the bill.

67. Are restaurant meals eligible for the partial sales tax exemption?

Answer – No. The partial sales tax exemption only applies to the sale of tangible personal property. The sale of restaurant meals or prepared foods and beverages is not considered to be the sale of tangible personal property under the Sales and Use Tax Act.

68. Does the partial sales tax exemption apply to the sale of services?

Answer - No. The partial sales tax exemption only applies to the sale of tangible personal property. Examples of taxable services and fees that are *ineligible* for the partial sales tax exemption include, but are not limited to: storage, information services, body massage, tanning, tattooing, limousine services, repairs, landscaping, security and investigation services, garbage removal and sewer services, floor covering installation, and laundering and dry cleaning of non-clothing.

69. Are there other retail sales that are ineligible for the partial sales tax exemption?

Answer – Yes. Examples of retail sales that are *ineligible* for the partial sales tax exemption include, but are not limited to: admissions, membership fees for access to or use of the property or facilities of a health and fitness, athletic, sporting or shopping club or organization, and parking.

70. Does the partial sales tax exemption apply when a certified seller sells both services and tangible personal property in the same transaction?

Answer - If a certified seller sells both services and tangible personal property in the same transaction, the partial sales tax exemption may apply to the sales of property (not services), but only if the cost of the property is itemized separately on the bill.

71. Does the partial sales tax exemption apply to leases and rentals?

Answer – Yes. The sales tax law defines a sale to include the rental or lease of tangible personal property (except for motor vehicles).

72. Can a certified seller apply the partial sales tax exemption to retail sale transactions that are generated from mail, telephone, e-mail, Internet, or similar types of orders?

Answer – Yes. The partial sales tax exemption may be applied as long as the customer picks up the items at the store in the UEZ or UEZ-impacted business district where the order was placed.

73. Is the partial sales tax exemption limited to sales made to customers residing in the UEZ or UEZ-impacted district?

Answer – No. The residence or location of the customer is irrelevant to the partial sales tax exemption.

74. Can certified sellers apply the partial sales tax exemption for out-of-State sales?

Answer - No. Reduced sales tax does not apply to “out-of-State” sales because sales tax is not collected on sales of tangible personal property that is delivered to a location outside of the State of New Jersey.

75. Must the customer pick up the property personally in order for the transaction to qualify for the partial sales tax exemption?

Answer – The seller may deliver the merchandise directly or use a common carrier to deliver the merchandise to a destination within or outside of the UEZ or UEZ-impacted business district, as long as the item was ordered in person at the UEZ or UEZ-impacted business district location and the merchandise is delivered from that same location. The partial sales tax exemption also applies to “delivery charges” which include handling, packing, shipping, and other charges that are incidental to the delivery of the items sold where the partial sales tax exemption was applied.

76. A certified seller receives an order by telephone and delivers the property from its inventory to the purchaser by common carrier. The purchaser then goes in person to the seller's place of business in the UEZ, and pays the amount as invoiced by credit card. Does this represent a transaction in which the partial sales tax exemption may apply?

Answer – No. Sales tax on the transaction must be collected at the full rate because the sale was initiated by an order taken over the phone and completed with the direct delivery of the merchandise to the purchaser's location. The sale did not take place at the store in the UEZ. The in-person requirement was not met regardless of the fact that the customer paid for the merchandise at the store subsequent to delivery. Payment is not part of the sales transaction for this purpose. The partial sales tax exemption may **only** apply to eligible transactions when the ordering and delivery requirements are met, regardless of when (or how) payment is made.

77. Can blanket purchase orders be placed on a short-term basis (e.g. three month or six month period)?

Answer – Yes, the partial sales tax exemption applies to blanket purchase orders if the following criteria are met:

- The initial purchase must meet the face-to-face transaction requirement;
- The sales contract must specify a numerical quantity and a numerical price;
- The sales contract must specify, in detail, the item(s) being purchased; and
- All deliveries must be completed by the next certification ending date of the certified business.

The delivery requirement from zone inventory must also be met.

Please note that the Division may, in the future, establish more stringent requirements for the delivery provision that must be in the contract.

78. How does a certified seller report and remit sales tax?

Answer – A certified seller must electronically file a monthly sales tax return (Form [UZ-50](#)). The online form allows the seller to report tax that was collected at the full rate for sales not qualifying for the partial sales tax exemption as well as tax collected at the reduced rate for qualifying sales. UEZ taxpayers that do not qualify as certified sellers must file regular quarterly sales and use tax returns (Form [ST-50/51](#)).

79. Can a certified seller file sales and use tax returns quarterly?

Answer – No. A certified seller must use Form UZ-50 to report sales tax collection on a monthly basis.

MISCELLANEOUS

80. What are the most frequent problems that come up in relation to the tax benefits available for qualified businesses?

Answer – Failure to properly recertify or submit an annual report and failure to remain tax compliant can result in the loss of benefits including the ability to collect sales tax using the partial sales tax exemption.

LEGAL SOURCES

Relevant law is found at N.J.S.A. 52:27H-60 through 52:27H-89; N.J.S.A. 54:32B-8.22; Relevant regulations are found at N.J.A.C. 18:24-31.1 thru N.J.A.C. 18:24-31.9; N.J.A.C. 5:120-1. et seq., N.J.A.C. 5:121, et seq.

ADDITIONAL REFERENCES

Urban Enterprise Zone Program publications are available through the Department of Community Affairs' web site at: <http://www.nj.gov/dca/affiliates/uez/publications/>.

Registration and online applications can be accessed through the Division of Revenue's web site at: <http://www.state.nj.us/treasury/revenue/>.

New Jersey Premier Business Portal: <http://www.nj.gov/njbusiness/premierservices.shtml>

Administrative Office

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LOCAL UEZ MUNICIPAL OFFICES*

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2. Bayonne.....	(201) 858-6357
3. Bridgeton.....	(856) 451-3407
4. Camden.....	(856) 757-7679
5. Carteret.....	(732) 541-3801
6. East Orange.....	(973) 380-0990
7. Elizabeth.....	(908) 289-0262 – Ext. 214
8. Gloucester City.....	(856) 742-8010
9. Guttenberg.....	(201) 868-2315 - Ext. 106
10. Hillside.....	(973) 926-1054
11. Irvington.....	(973) 399-5636
12. Jersey City.....	(201) 333-7797 - Ext. 202
13. Kearny.....	(201) 955-7400 - Ext. 8041
14. Lakewood.....	(732) 364-2500 - Ext. 5257
15. Long Branch.....	(732) 923-2040
16. Millville.....	(856) 825-7000 - Ext. 7225
17. Millville/Vineland.....	(856) 563-0440
18. Mount Holly.....	(609) 845-1163
19. Newark.....	(973) 424-4154 - Ext. 1010
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21. North Bergen.....	(201) 392-2084
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27. Phillipsburg.....	(908) 454-5500 - Ext. 362
28. Plainfield.....	(908) 226-2519
29. Pleasantville.....	(609) 484-7359
30. Roselle.....	(908) 241-8216
31. Trenton.....	(609) 989-3508
32. Union City.....	(201) 271-2350
33. Vineland.....	(856) 794-4000 - Ext. 4623
34. West New York.....	(201) 295-5289
35. (The) Wildwoods.....	(609) 522-2444 - Ext. 2244

*Detailed [contact information](#) is available at the Department of Community Affairs web site.