

New Jersey State Tax News

Fall 1998

inside

<i>division receives fta award</i>	1
<i>roth iras</i>	2
<i>1998 package njx</i>	3
<i>small business workshops</i>	3
<i>new jersey state fair</i>	4
<i>e-mail volume grows</i>	4
<i>rebate checks issued</i>	5
<i>enforcing use tax</i>	5
<i>interest rate 11.50%</i>	5
<i>new registration process</i>	6
<i>payroll tax reporting changes</i> ..	7
<i>new jersey qss apportionment</i> ...	7
<i>interest and related parties</i>	7
<i>motor vehicle casual sales</i>	8
<i>sale or transfer of business</i>	8
<i>enclosures with returns</i>	9
<i>inheritance tax waivers</i>	9
<i>taxpayer accounting</i>	10
<i>unclaimed property</i>	11
<i>income limits for deduction</i>	11
<i>disabled veterans' exemption</i> ..	11
<i>tax assessors' calendar</i>	12
<i>tax assessor certificates</i>	12
<i>new investigations region</i>	12
<i>criminal enforcement</i>	13
<i>enforcement summary</i>	14
<i>seized business list</i>	15
<i>auctioned business list</i>	19
<i>tax briefs</i>	21
<i>in our courts</i>	23
<i>in our legislature</i>	25
<i>tax calendar</i>	26
<i>package njx order form</i>	27
<i>from the director's desk</i>	28

Division Receives FTA Award



Acting Director Robert K. Thompson (center), Deputy Director Harold Fox (right) and Deputy Director Joseph Thiel (left) display the compliance award presented to the New Jersey Division of Taxation by the Federation of Tax Administrators.

The Federation of Tax Administrators presented its 1998 Compliance Award to the New Jersey Division of Taxation and the Iowa Department of Revenue at the FTA Annual Meeting in New Orleans in June. The Award recognizes programs in tax compliance showing excellence, creativity, and effectiveness.

New Jersey's award-winning tax recovery project focused on cash businesses and in particular the retail alcoholic beverage industry. Replacement of the wholesale liquor tax by sales taxes at the retail

continued on page 2

important phone numbers

Tax Hotline.....	609-588-2200
Automated Tax Info.....	800-323-4400
.....	609-588-2525
Speaker Programs.....	609-984-4101
NJ TaxFax.....	609-588-4500

Alcoholic Bev. Tax.....	609-984-4121
Corp. Liens, Mergers, Withdrawals & Dissolutions.....	609-292-5323
Director's Office.....	609-292-5185
Inheritance Tax.....	609-292-5033
Local Property Tax.....	609-292-7221
Motor Fuels Tax Refund... ..	609-292-7018
Public Utility Tax.....	609-633-2576

<http://www.state.nj.us/treasury/taxation/>

fia award - from page 1

level helped spur a comprehensive review program and a combined audit/compliance effort involving registration, compliance checks, audit and criminal investigation. Division of Taxation Acting Director Robert K. Thompson said, "This was a true joint effort. Investigators and auditors worked side by side to support or refute audit findings."

Obtaining third-party alcoholic beverage wholesale purchase information electronically helped in the selection of audit candidates. The Division enlisted the assistance and cooperation of both the Division of Alcoholic Beverage Control (ABC) which provided access to its database of liquor license holders, and the alcoholic beverage wholesale industry, which provided data on their sales to retail liquor licensees.

Legislation enacted in 1995, requiring all current or prospective retail liquor licensees to obtain a tax clearance certificate from the Division of Taxation before a license can be renewed or transferred, helped support the Division's efforts to ensure that all retail liquor licensees in New Jersey are properly registered and brought into compliance with State tax laws.

The Division hired additional personnel for its enforcement efforts and also formed a special group of auditors and investigators to focus on cash businesses. Working with the assigned auditor, cash team investigators visit retail businesses that make retail sales of alcoholic beverages to develop "real world" information on the number of

customers and employees the business has, the type of food and beverages served, etc. The information gathered is then used to support the auditor's findings or the taxpayer's concerns.

With the assistance of the Internal Revenue Service, Division employees were given "economic reality" training, which is an indirect audit technique that involves gathering information about a taxpayer's financial status to help determine whether reported income is sufficient to support an individual's lifestyle or standard of living.

Over the three-year period since the inception of the program, the Division of Taxation has collected, \$133,424,452 as of July 11, 1998 as a result of audit assessments against liquor license holders, and expects to collect over \$150 million. □

GROSS INCOME TAX **Roth IRAs**

Governor Whitman has approved legislation (P.L. 1998, c.57, signed into law July 24, 1998) which conforms the New Jersey gross income tax treatment of Roth IRAs to the Federal treatment.

Like any other IRA, contributions to a Roth IRA are not excludable for New Jersey income tax purposes. However, unlike other IRAs, "qualified distributions" from a Roth IRA are excludable. That is, qualified distributions do not have to be included in New Jersey gross income in the year received.

continued on page 3

New Jersey State Tax **News**

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This publication is designed to keep taxpayers, tax practitioners and the general public informed of developments, problems, questions and matters of general interest concerning New Jersey tax law, policy and procedure. The articles in this newsletter are not designed to address complex issues in detail, and they are not a substitute for New Jersey tax laws and/or regulations.

Division of Taxation Acting Director:
Robert K. Thompson

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Editor: Linda B. Hickey

roth iras - from page 2

A “qualified distribution” is one that is made after the five-tax-year period beginning with the first taxable year in which a contribution was made to an individual’s IRA, **and** which is:

1. Made on or after the date on which the individual reaches age 59½; or
2. Made to a beneficiary (or the individual’s estate) after the individual’s death; or
3. Made because the individual becomes disabled; or
4. Made as a qualified first-time home buyer distribution as defined by the Internal Revenue Code.

A payment or distribution will not be treated as a qualified distribution if it is made within the five-tax-year period which begins with the year the first contribution was made to the Roth IRA. Likewise, a payment or distribution of an allowable rollover contribution (or income earned on the amount rolled over) from an IRA other than a Roth IRA, is not a qualified distribution if it is made within the five-tax-year period which begins with the year in which the rollover contribution was made.

In the case of a nonqualified distribution from a Roth IRA, the distributed earnings are reportable as income for New Jersey purposes.

For information on New Jersey’s treatment of converting an existing IRA to a rollover Roth IRA, see *New Jersey State Tax News*, Vol. 27, Number 1, Spring 1998.

The Division of Taxation has prepared a Technical Bulletin, TB-44, *Roth IRAs*, which discusses the topic in greater detail. To obtain a copy, call our Automated Tax Information System at 1-800-323-4400 (from Touch-tone phones within New Jersey only) or 609-588-2525 (from Touch-tone phones anywhere) and request TB-44.

To obtain TB-44 via NJ TaxFax call 609-588-4500 from your fax machine’s phone. You may also download a copy from our home page on the World Wide Web at:

<http://www.state.nj.us/treasury/taxation/>

To speak with a Division representative, call our Tax Hotline at 609-588-2200. □

1998 Package NJX

Order forms for the 1998 edition of *Package NJX* were mailed in August to those who subscribed in 1997. Designed primarily for tax preparers, *Package NJX* contains those reproducible New Jersey tax forms most widely used by tax professionals.

The CD-ROM version of this year’s edition (called *NJX PLUS*) has been expanded to include a variety of tax information literature published by the Division of Taxation: several years of the Division’s quarterly newsletter, the *New Jersey State Tax News*, as well as the *Annual Report* and many other tax information bulletins issued by the Division. The *NJX PLUS* CD-ROM is priced at \$15.00 per disk.

The printed version of *Package NJX*, consisting of approximately 450 three-hole punched loose-leaf pages, continues to be available at \$7.00 per copy. Specially designed *Package NJX* 3-ring binders, large

enough to accommodate the printed version, may be ordered separately at \$7.00 apiece. (Binders do *not* include the *Package NJX* loose leaf content pages.) Prices include shipping and handling.

If you haven’t yet ordered the *1998 Package NJX* (printed version), *NJX* binder or *NJX PLUS* CD-ROM and wish to do so, complete the order blank on page 27 of this issue and send it with your payment to:

STATE OF NEW JERSEY

PACKAGE NJX

PO BOX 286

TRENTON NJ 08646-0286 □

Small Business Workshops

New Jersey entrepreneurs can receive free assistance from the Division of Taxation. The Division sponsors workshops explaining tax obligations geared for new businesses. The workshops will cover the following topics:

- Registering with the State of New Jersey
- Meeting Employer Responsibilities
- Reporting Business Income
- Filing Sales and Use Tax Returns

Division personnel will explain the proper procedure for collecting and remitting tax. Division personnel will also discuss the various types of business ownership and the tax consequences of each one. The session concludes with a discussion of the Sales and Use Tax describing what is taxable and what is exempt from the tax.

continued on page 4

Taxation Representatives at New Jersey State Fair



Annie Sanfilippo (Compliance) and Patricia Douglas (Unclaimed Property) are just two of the many Division employees who assisted taxpayers at the New Jersey State Fair, which was recently held at the Garden State Park in Cherry Hill. For ten days Division employees distributed publications, answered tax questions, and made online adjustments to taxpayer accounts when necessary. In addition to having access to the Division's Home Page, Division employees helped taxpayers determine whether they held claim to any of the unclaimed property held by the State by performing look ups on their database.

small business workshops - from page 3

Participants receive appropriate forms and brochures for their own use. Additionally, each attendee receives a Small Business Workshop resource manual that reviews each topic and provides easy to follow examples.

Workshops are held throughout the State in conjunction with the Internal Revenue Service. Sessions run from 9:00 a.m. to 4:00 p.m., with the Division of Taxation presentation in the afternoon. If you wish to find out more about the Small Business Workshops, or would like to sign up for the fall sessions, call the Internal Revenue Service at: 1-800-829-1040 or the Division of Taxation's Taxpayer Hotline at: 609-588-2200. Dates and locations for the six Small Business Workshops scheduled for the 1998 fall season are listed below.

Fall 1998 Schedule

September 17	New Brunswick
October 22	Manalapan
October 30	Camden
November 6	Newark
November 17	Jersey City
December 4	Union



Division's E-Mail Volume Grows

In recognition of the popularity of the Internet and the ever-increasing use by the public of e-mail, the Division's Technical Services Activity established an e-mail address in 1996. The e-mail address provides a fast and convenient way for the public to request information and correspond with the Division. The substantial use of e-mail by the public at large had an immediate impact on the mix of taxpayer correspondence received by the Division. The Taxpayer Services Branch

responded to more than 2,900 e-mail inquiries in the 1998 fiscal year. This was up 500% from the slightly more than 600 e-mail responses sent in 1997. While not all tax matters or requests can be resolved by e-mail, this option can be used in the majority of cases.

The Branch receives e-mail of a varied and technical nature which sometimes requires in-depth research and/or rerouting to other Division branches or specialists. This, along with the volume of e-mail received, does not always allow an immediate reply. Even so, the convenience and cost savings plus the advantage of a shorter response time continues to make e-mail a popular option.

E-mail the Division at:

nj.taxation@treas.state.nj.us

Also visit our Web site for information, publications and links to other sites. □

HOMESTEAD REBATE
Rebate Checks
Issued July 31

Approximately 1.2 million New Jersey residents received homestead rebates totaling \$304 million soon after the July 31 mailing.

“These checks are important sources of much-needed income for eligible citizens of New Jersey,” said Governor Christie Whitman.

Eligible recipients include senior citizens who are 65 years of age or older, residents who are blind or disabled, and those under age 65 who earned \$40,000 or less for the 1997 tax year.

Senior citizens over age 65 and those who are blind or disabled with gross incomes of \$70,000 or less are eligible for rebates up to \$500 if they are homeowners or tenants. Residents in this category making between \$70,000 and \$100,000 would receive \$100 if they are homeowners and \$35 if they are tenants. Residents making more than \$100,000 are not eligible for rebates.

Nondisabled taxpayers who are under age 65 with gross incomes up to \$40,000 are eligible for rebates of \$90 if they are homeowners and \$30 if they are tenants.

One of the qualifications for the homestead rebate is that property taxes be paid on the applicant’s principal residence, either directly or through rent. Thus, New Jersey residents living in dwellings which are not subject to local property tax are not eligible for the rebate.

The 1997 tax year marked the second phase of the property tax deduction/credit program. Claimants who were 65 years of age or older or blind or disabled, and who did not have to file a 1997 New Jersey income tax return (Form NJ-1040) because their gross income was below the income filing threshold will have a property tax credit of \$37.50 (\$18.75 for married persons filing separately with the same residence) added to their homestead rebate check.

New Jersey taxpayers who are eligible to receive homestead rebates, and have not received them, can call the State’s automated Homestead Rebate InfoLine from a Touch-tone telephone at 1-800-323-4400 (within New Jersey only) or 609-588-2525 (anywhere) to check on the status of their rebate applications. Callers must provide information from their rebate applications when using the InfoLine. □

SALES AND USE TAX
Enforcing Use Tax

Since the State cannot compel the collection of sales taxes by most nonresident vendors, it must rely on compensating use taxes to protect home-State vendors from unfair competition and protect the tax base. Therefore, the Sales and Use Tax Act also requires a purchaser residing in New Jersey to pay a **use tax** whenever he or she purchases taxable goods or services for use in New Jersey where the vendor does not *legally* collect the sales tax. This generally occurs in mail-order situations and in cases when the purchaser visits an out-of-State vendor to place an order that is subsequently mailed

or shipped into New Jersey. Each of the 47 states that has a sales tax also has a use tax.

Under New Jersey law, “Use” is defined as the exercise of any right or power over property by the purchaser. This includes receiving or storing property for **any** length of time. The use tax is due and payable within 20 days of the date that the consumer takes possession of the items in New Jersey. The Use Tax remittance form (Form ST-18) is available upon request from the New Jersey Division of Taxation at 609-588-2200.

Interstate vendors sometimes state to their nonresident customers that “the purchase price is the bottom line” when a delivery is made out-of-State. While these vendors may follow the letter of the law as far as not collecting sales tax for a neighbor state in which they are not authorized to do so, the zeal with which they pursue a sale can

continued on page 6

Interest 11.50% for Third Quarter

The interest rate assessed on amounts due for the third quarter of 1998 is 11.50%.

The assessed interest rate history for the last eight quarters is listed below.

Effective Date	Interest Rate
10/1/96	11.75%
1/1/97	11.25%
4/1/97	11.25%
7/1/97	11.25%
10/1/97	11.25%
1/1/98	11.50%
4/1/98	11.50%
7/1/98	11.50%

enforcing use tax - from page 5

result in their customers incurring a use tax liability without being aware of it. Customers often assume that any tax due is paid to the vendor at the time of purchase. A vendor whose interest is in closing a sale may not take it upon himself to educate a potential customer on the topic of use tax.

The Division's Field Investigations Branch occasionally intercepts delivery trucks entering New Jersey. Investigators review copies of the delivery invoices to determine the name and location of the purchaser and also to determine if the appropriate sales tax has been paid. New Jersey residents who have purchased items but failed to pay the sales tax are subsequently contacted by the Division's Compliance Services Branch. The residents are given the opportunity to pay the use tax without penalty and interest. Those consumers who fail to respond may be subject to an arbitrary assessment of the use tax plus penalties and interest as mandated by law.

New Jersey residents who purchase furniture from out-of-State vendors are urged to retain receipts and any other documentation related to the purchase in the event they are contacted by the Division.

New Jersey residents who purchase taxable goods or services from out-of-State vendors should voluntarily remit the use tax on an ST-18 or the line provided on the New Jersey Income Tax Resident Return, Form NJ-1040. □

New Registration Process

New Jersey is about to introduce a new business registration form. The New Jersey Business Registration Package (NJ-REG-P) allows businesses to complete their initial tax and employer registrations through the use of a *single registration form*. The new form also allows a business that desires corporation or limited partnership status to submit their tax/ employer registration *along with* their original certificate of incorporation or formation.

In addition to providing a streamlined "One-Stop" approach to business registration, the new NJ-REG will enable the State to automatically distribute data to all concerned agencies. Specifically, once data is entered into the State's

registration system, all related databases in the Departments of Treasury and Labor will be updated.

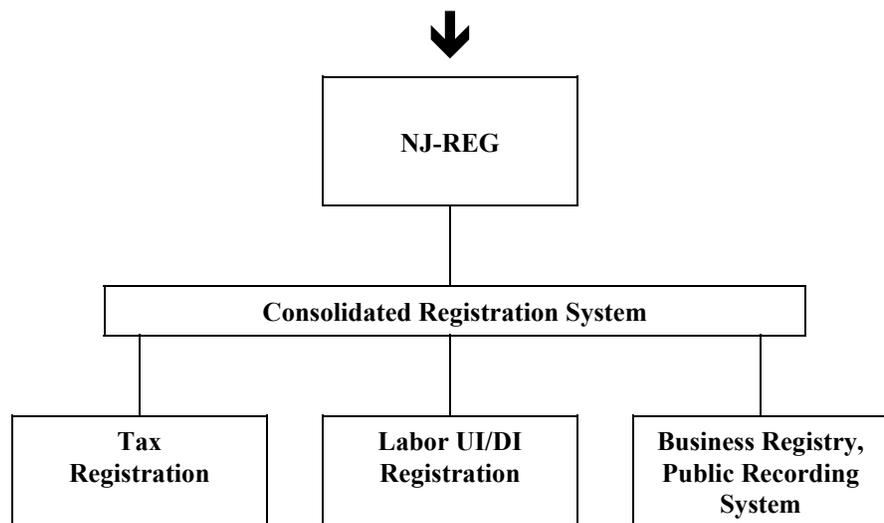
An important feature of the new NJ-REG package is the Request for Change of Registration Information, Form REG-C-L. Like the consolidated registration, the REG-C-L will enable businesses to notify the State of any changes in business identification, ownership, status, and activity with a single form.

The new NJ-REG package is scheduled to be implemented during the fall of 1998. For updated information, visit the Division of Revenue's home page at: <http://www.state.nj.us/treasury/revenue>



New Registration Process

Single point of information collection. Multiple service options for business entities. Extensive data base sharing and integration.



Change in Payroll Tax Reporting

Employers and professionals who handle payroll activities for businesses will notice some changes in New Jersey's reporting form. The Division of Taxation's "Quarterly Return of Gross Income Tax Withheld" (NJ-941/NJ-941-W) forms and the Department of Labor/Division of Employer Accounts' "Quarterly Contribution Report" (UC-27) form will be consolidated into one new form, "Employer's Quarterly Report" (Form NJ-927/NJ-927-W). Employers will submit one report and one check to the Division of Revenue in the Department of the Treasury to satisfy their reporting requirements with both agencies. Employers will receive their first NJ-927 reports by early October for the third quarter filing which will be due October 30, 1998.

The new forms will contain a new taxpayer identification number which will consist of the 9-digit Federal Employer Identification Number (FEIN) and a 3-digit suffix for State use. The Department of Labor will no longer require a separate New Jersey registration number for unemployment and disability purposes. Employers need only provide their new State taxpayer identification number on W-2 forms issued to employees for 1998. Employers must, however, continue to report amounts withheld from employees' wages for workforce development fund/unemployment insurance/health care subsidy fund (WD/UI/HC) and disability insurance (DI) on the W-2. □

CORPORATION TAX New Jersey QSSS Apportionment

The Division has received several inquiries recently concerning the method of apportioning income for the parent company of a New Jersey Qualified Subchapter S Subsidiary (QSSS). As indicated in the Division's Winter 1997 *State Tax News* article, QSSSs became recognized for New Jersey purposes beginning with the 1997 return year.

It is the Division's position that, as with the case of the assets, liabilities, income and deductions of the QSSS flowing through to the parent corporation, so too will the respective factor attributes of the QSSS flow through to the parent's property, receipts and payroll factors. This treatment will provide the degree of factor representation necessary to accord each QSSS with an equivalency similar to that of a division. □

CORPORATION TAX Interest Charges Between Related Parties

Section N.J.S.A. 54:10A-10 of the Corporation Business Tax Act permits the Director of the Division of Taxation to make redeterminations and adjustments when taxpayer's accounting principles or business conduct result in a distortion of entire net income or allocation.

Regulation N.J.A.C. 18:7-5.10 explains the basic standard that the Division employs. It is that a fair and reasonable tax is the tax that would have been paid by a

taxpayer reporting the same transactions on a separate entity basis where the parties to the transaction(s) had independent economic interests.

One area where the Division is discovering problems on audit is loans and advances between related parties, including stockholders. Pursuant to N.J.S.A. 54:10A-10(b) and N.J.A.C. 18:7-5.10(a)5 interest should be charged on loans or advances made by one related party to another from the day after the debt arises until it is satisfied. Interest free loans and advances will not be permitted. Interest on intercompany trade receivables need not be charged before the first day of the third calendar month.

If the creditor is regularly engaged in the business of making loans or advances, that same unrelated interest rate as charged independent parties should be charged to related entities. Where the creditor is not in the business of loaning money or making advances, either an arm's length rate based on the facts and circumstances or a safe haven rate is acceptable. However, the safe haven rule does not apply to any loan or advance in which the interest or principal amount is expressed in a currency other than U.S. dollars.

For interest paid or accrued on a loan or advance, a safe haven rate is one that is between 100% and 130% of the Applicable Federal Rate (AFR) as determined under Internal Revenue Code Section 1274(d) in effect on the date that the loan or advance is made. Adjustments for inadequate interest would be made at 100% of the

interest charges - from page 7

AFR and adjustments for excessive interest would be made at 130% of the AFR. In the case of a sale-leaseback transaction, the lower limit would be 110% of the AFR. In determining the rate of interest actually charged on a written loan or advance, any original issue discount included in income by the lender or any bond premium deducted by the lender is to be taken into account.

If the Division, upon audit, discovers a distortion because interest was improperly charged between related parties, it will make a redetermination creating or shifting interest income and interest expenses to effect a fair and reasonable tax. □

SALES AND USE TAX **Motor Vehicle** **Casual Sales**

The Casual Sales Unit, in conjunction with the Division of Motor Vehicles, insures the correct sales tax is paid on the transfers of motor vehicles and vessels. Sales of aircraft are also examined for the correct payment of sales tax.

The term casual sales refers to those transactions that are isolated or occasional sales of property which originally had been obtained for the use by the person or entity who is not regularly engaged in making retail sales of vehicles or vessels. Tax on these transactions is paid when the purchaser registers the motor vehicle at the Division of Motor Vehicles. When the vehicle is registered a "Report of Sales Tax on Motor Vehicle/Vessel" (LS-240) is submitted by the purchaser to DMV from which sales tax is calculated. The information is reviewed to certify whether sales tax appears to have been paid on the actual purchase price. When an exemption from tax is claimed or a purchase price far below fair market value for the vehicle as published in the N.A.D.A. Official Used Car Guide is indicated, the Casual Sales Section will question this transaction and send the purchaser a Notice of Inquiry. The purchaser must complete the questionnaire on the back of the notice and submit documentation verifying the claim for exemption or the lower purchase price. These responses are due within 30 days of the date of the inquiry notice.

As of the close of Fiscal Year 1998 over \$1.6 million has been collected in underpaid sales tax. □

Sale or Transfer of Business

It appears that there exists some confusion regarding notification to the Division of Taxation where a business enters into an agreement to sell any part or the whole of the business assets other than in the ordinary course of business.

Although the Bulk Transfers Section of the Uniform Commercial Code, Chapter 6 of Title 12A of the New Jersey Statutes N.J.S.A. 12A:6 and N.J.S.A. 12A:9-111 were repealed on January 10, 1995, purchasers of such business assets/businesses are required to notify the Division of the impending transfer (including liquor license transfers).

N.J.S.A. 54:32B-22(c) provides that: "Whenever a person required to collect tax shall make a sale, transfer, or assignment in bulk of any part or the whole of his business assets, otherwise than in the ordinary course of business, the purchaser, transferee, or assignee shall at least 10 days before taking possession of the subject of said sale, transfer, or assignment, or paying therefor, notify the Director by Registered Mail of the proposed sale and of the price, terms, and conditions thereof...."

Whenever the purchaser shall fail to give notice to the Director or whenever the Director shall inform the purchaser that a possible claim for such tax or taxes exists, any sums of money, property or other consideration which the purchaser is required to transfer over to the seller shall be subject to a first priority right and lien for any such taxes theretofore or thereafter

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continued on page 9

sale or transfer of business - from pg. 8

determined to be due from the seller to the State.

The purchaser is forbidden to transfer to the seller any such sums of money or property to the extent of the amount of the State's claim. For failure to comply with the provisions of this section the purchaser shall be personally liable for the payment to the State of any such taxes theretofore or thereafter determined to be due to the State from the seller and such liability may be assessed and enforced in the same manner as the liability for tax under this act.

Notification of the impending Sale, Transfer or Assignment in Bulk should be made utilizing Form C-9600, with a copy of the contract of sale attached thereto. Requests for Form C-9600 can be made as follows:

By Phone: 609-292-6604

By Mail:

NJ DIVISION OF TAXATION
BULK SALES SECTION
PO BOX 245
TRENTON NJ 08646-0245

By Downloading on Internet:

<http://www.state.nj.us/treasury/taxation/>



GROSS INCOME TAX

Enclosures With Returns

A taxpayer with the responsibility to file as a New Jersey resident for the first time on a 1997 NJ-1040 return inquired about the enclosures required to be supplied with the return.

The following items are to be enclosed when the return is filed to

explain the calculation of the amount of income shown on the return:

1. All W-2s, wage and tax statements.
2. All Federal Schedule Cs, C-EZs, or Fs.
3. All Schedule NJK-1s, Form NJ-1065, or if no Schedule NJK-1s were issued, Federal Schedule K-1s.
4. New Jersey Schedule B, Net Gains or Income from Disposition of Property.
5. New Jersey Schedule C, Net Gain or Income from Rents, Royalties, Patents and Copyrights.
6. All Schedule NJ-K-1s, Form CBT 100S, or if no Schedule NJ-K-1s were issued, Federal Schedule K-1s, Form 1120S.
7. All 1099-G forms for gambling winnings.
8. All Federal Schedule K-1 forms from estates and/or trusts.
9. All other Form 1099s received from pensions, annuities, prizes, real estate sales, or other income sources.
10. Copies of all tax returns filed with other states or jurisdictions for which a credit for income or wage taxes paid has been claimed.
11. Copies of any other Federal schedule which supports New Jersey income amounts.

Also, should the amount of any item of income reported on the

New Jersey return differ considerably from the amount reported on the Federal return, a schedule showing the reconciliation of the two amounts must be furnished. For example, since tax exempt interest and dividend income amounts vary on the State and Federal returns, copies of the year-end statement and State percentage breakdown analysis will support the reconciliation schedule.

INHERITANCE/ESTATE TAX **Inheritance Tax** **Waivers**

Upon the death of a New Jersey resident, a statutory lien of the State of New Jersey over much of the decedent's property is activated. These liens are automatically imposed by provisions of the statutes and must be released by a written "Consent to Transfer" signed by the Director of the Division of Taxation. These releases are more commonly known as "Waivers."

A waiver is required for any New Jersey real estate in which the decedent held an interest, except real estate held by the decedent and a surviving spouse as "Tenants by the Entirety." Property held in this manner is not subject to tax and need not be reported.

A waiver is also required for the release of funds on deposit in banking institutions in the State of New Jersey which are in the name of decedent alone or in the name of decedent with others. However, in order to permit partial administration of an estate as early as possible, the proper estate representative may withdraw, without a

continued on page 10

waivers - from page 9

waiver, as much as 50 percent of any funds on deposit for immediate estate use and up to 100 percent of the remaining funds on deposit by check made payable to "N.J. Transfer Inheritance Tax."

During the past 13 years there have been many changes in the administration of the transfer inheritance tax in this State. Spouses, children, grandchildren, parents, grandparents, and other Class "A" beneficiaries have become completely exempt from the transfer inheritance tax. Brothers, sisters, sons-in-law and daughters-in-law have been granted an exemption in the amount of \$25,000 each. New forms, policies, and procedures have been adopted in order to facilitate compliance with transfer inheritance tax requirements and many additional administrative changes have been made. However, contrary to some misconception, any waiver requirements that existed prior to these changes continue to be valid statutory requirements subsequent to changes.

The Transfer Inheritance Tax Branch continues to observe delinquent tax plus interest being paid by attorneys, CPAs, title companies, banking institutions, etc. who were negligent in failing to obtain a proper waiver for the transfer of decedent's assets. A significant portion of this type violation does not surface until real estate is sold many years after the date of the decedent's death. The additional avoidable interest penalty of 10 percent per annum from eight months after date of death becomes an added financial burden.

The Division of Taxation advises preparers of transfer inheritance tax returns and estate representatives to be extremely conscious of waiver requirements and to exercise due care. There are no acceptable excuses for non-compliance.

Further information and guidance may be obtained by calling the taxpayer information section of the Transfer Inheritance Tax Branch at 609-292-5033, 292-5035, 292-7147 or 777-4559. □

DIVISION OPERATIONS

Taxpayer Acct'g

In its most simple terms, the Mission Statement of the Taxpayer Accounting Branch is to review bills and refunds and answer taxpayer correspondence, so that taxpayers can pay what they owe, receive what is due to them, and correct any errors in their accounts.

Most bills and refunds are automatically computer-generated. Some may be flagged for manual review based on certain predetermined criteria, which is in place to filter out erroneous bills and refunds before they are sent out to taxpayers. These flagged bills and refunds are what the Taxpayer Accounting Branch reviews and attempts to correct.

Occasionally insufficient refunds or improper bills are sent to taxpayers. When a taxpayer disputes a billing or discovers a discrepancy with the amount of refund received, their correspondence is sent to the Taxpayer Accounting Branch. All letters sent by taxpayers in response to any notices are reviewed. When the information necessary to correct

the account is received from the taxpayer, Taxpayer Accounting staff adjusts the account and notifies the taxpayer that the problem has been resolved.

When a taxpayer responds to a notice or corresponds with the Division, it is very important that they provide as much information as possible both as to the identity of the taxpayer and the nature of the problem. In order for the Taxpayer Accounting Branch to adequately respond to or request additional information from the taxpayer all correspondence should include:

1. The full name and identification number of the taxpayer as it appears on the Division's notice;
2. The tax type and period in question;
3. The nature of the problem;
4. The taxpayer's phone number; and
5. Current address.

When a taxpayer or his representative responds to a notice, the correspondence should be sent to the Post Office Box shown on the notice. This insures that the office that sent the notice and is best suited to respond to the taxpayer's letter receives the correspondence.

In Fiscal Year 1998 Taxpayer Accounting personnel:

- Responded to more than 135,000 pieces of correspondence;
- Reviewed nearly 57,000 bills and almost 52,000 refunds;
- Collected more than \$4.9 mil-

continued on page 11

taxpayer accounting - from page 10

lion; and

- Made just under 227,000 adjustments or corrections to accounts. □

Unclaimed Property

Any holder who is in possession of unclaimed property, which is reportable to the State of New Jersey, should comply with the unclaimed property laws. Holders consist of all types of businesses, such as: banks, financial institutions, insurance companies, retail and manufacturing companies, service companies, public institutions, including courts, municipalities, governmental subdivisions and agencies, public corporations or authorities. Non-profit entities, as well as hospitals, utilities, estates, trusts, and any other legal or commercial entity are also required to annually report unclaimed property.

Unclaimed Property consists of any financial asset, tangible or intangible, that has been unclaimed by its rightful owner for a specific period of time. The property is due to the state of the last known address; if the address is unknown, the property is due to the state of incorporation.

Unclaimed property is not a tax or an additional liability to business. Unclaimed property is the result of a loss of communication with the rightful owner.

Each state and the District of Columbia has an unclaimed or abandoned property law. It is each state's responsibility to administer its law accordingly. The goal of the unclaimed property offices is to collect, record, and safeguard

unclaimed property and to reunite the property with the rightful owner and/or heirs.

Holders are required to report and submit the property before November 1. Insurance companies are required to report and submit the property before May 1.

Holders have an opportunity to turn over unclaimed property which is past due to the State of New Jersey without incurring any interest and penalties, if the property is reported and remitted before November 1, 1998.

In order to obtain forms and more information about unclaimed property the holder can contact Massi Calcagno at 609-984-5214 and Steven Harris at 609-777-4655 or write to:

UNCLAIMED PROPERTY
DEPARTMENT OF TREASURY
PO BOX 214
TRENTON NJ 08646-0214

Our Holder Information Package can be downloaded from the Internet. The address is:

<http://www.state.nj.us/treasury/taxation/ucpform/htm>

New Jersey statutes can also be accessed on the Internet at:

<http://www.njleg.state.nj.us>

then click on the statutes link. □

LOCAL PROPERTY TAX Income Limits for Tax Deduction

When calculating the annual \$10,000 income limitation allowable in preapproving 1999 and affirming 1998 Property Tax

Deductions, the maximum Social Security amount excludable has been established at \$16,132. This maximum is to govern the amount of pension, disability or retirement income to be excluded pursuant to Chapter 129, P.L. 1976 and was compiled from information received from the U.S. Department of Health and Human Services, Social Security Administration.

Further information on this subject, along with examples showing the correct computation for determining the income limitation, was mailed to all assessors, collectors, and county tax board commissioners and administrators in early July. □

LOCAL PROPERTY TAX Disabled Veterans' Exemption

State funding of the Disabled Veteran Retroactive Refund Program (filing deadline March 31, 1998), was a one-time appropriation for fiscal year 1998. The State is not, at present, reimbursing municipalities for the cost of granting such exemptions on an ongoing basis. Procedures outlined by N.J.S.A. 54:4-3.30 for determining eligibility, granting the exemption, and considering prior year refunds have not been changed by the D.V.R.R. initiative. □

LOCAL PROPERTY TAX **Tax Assessors Calendar**

October 1–

- All real property in taxing district valued for tax purposes (pretax year).
- \$50 veterans' tax deduction eligibility established (pretax year).
- \$250 real property tax deduction for qualified senior citizens, disabled persons, surviving spouses eligibility established (pretax year).
- Agricultural land values for farmland assessment published by State Farmland Evaluation Advisory Committee.
- Table of Equalized Valuations for State School Aid promulgated by Director, Division of Taxation.
- Added Assessment List and duplicate filed with County Tax Board.
- Omitted Assessment List and duplicate filed with County Tax Board.

November 1–

- Initial Statements, Forms I.S., and Further Statements, Forms F.S., for property tax exemption filed with tax assessor.
- Notices of Disallowance of farmland assessment issued by tax assessor.

November 15–

- Notices of revisions to State-owned property listing given by Director, Division of Taxation, to County Tax Boards and taxing districts.

- Deadline for taxing districts' appeals of Table of Equalized Valuations to NJ Tax Court.

December 1–

- Appeals from added assessments filed with County Tax Board.
- Appeals from omitted assessments filed with County Tax Board.

December 31–

- Legal advertisement of availability of Tax List for public inspection. □

LOCAL PROPERTY TAX **Tax Assessor Certificates**

The tax assessor examination is held in accordance with the Assessor Certification and Tenure Act, which requires that anyone taking office as a tax assessor after July 1, 1971 must hold a tax assessor certificate.

Eight persons passed the examination for the tax assessor certificate held on March 28, 1998. Nine persons became certified tax assessors on June 25, 1998.

Atlantic County: Mary C. Becker, Margate City.

Bergen County: Neil M. Burns, Hasbrouck Heights Borough; Kristina L. Hayes, Ridgewood Borough; Theodore J. Lamicella, Jr., Wood-Ridge Borough.

Camden County: Brian Schneider, National Park Borough.

Gloucester County: Michael W. Colavecchio, Washington Township.

Middlesex County: Richard Lorentzen, Woodbridge Township.

Ocean County: Robert W. Kirwan, Stafford Township; Aivar Rannamyae, Jackson Township.

□

DIVISION OPERATIONS **New Region for Field Investigations**

The Field Investigations Branch recently created a fifth region. Previously there were four geographic regions: Newark (Region A), Fair Lawn/Somerville (Region B), Mercerville/Camden (Region C) and Sea Girt/Northfield (Region D). In July 1998, a "functional region" for Field Investigations was formed. This new region is comprised of investigators from the existing field offices. One of its primary focuses will be the enforcement of Nexus issues.

"Nexus" is the business connection an out-of-State business has with New Jersey. Nexus creates the requirement of the foreign business to collect and remit New Jersey taxes. An out-of-State business delivering goods into New Jersey in its own vehicle constitutes nexus with New Jersey. These businesses are required to collect and remit New Jersey sales tax. Out-of-State contractors must withhold New Jersey income tax from their employees working in this State.

The new regional unit will investigate non-registered contractors, furniture companies, lawn maintenance businesses and the like crossing the New Jersey border and engaging in taxable sales. The

continued on page 13

new investigations region - from page 12

enforcement of nexus issues helps to level the playing field between businesses competing for jobs and contracts in New Jersey. Another area of concentration is cash-based businesses. The enforcement unit observes businesses first-hand and gathers available third-party information from wholesalers. This surveillance allows for more accurate audit assessments by gathering data that may not be readily available to an auditor by examining a company's books.

A third concentration is "special projects" such as the collection of use tax. Use tax is imposed and paid on goods and services on which sales tax was not collected or collected at a rate less than New Jersey's sales tax rate (currently 6%). Some examples of use tax issues to be investigated are:

- Contractors who purchase materials out-of-State without paying sales tax owe use tax to New Jersey once the materials are used in construction in this State;
- An item purchased with a resale certificate which is taken out of inventory for personal use;
- Goods and services purchased out-of-State for use in New Jersey and no sales tax was collected;
- Boats or other watercraft bought outside of New Jersey with no sales tax paid.

The primary goal of the new region's teams is to increase compliance with New Jersey's tax laws by businesses based outside of this State but who come into New Jersey and compete with New Jersey-based retailers, contractors and other businesses. Gaining uniform compliance benefits all of New Jersey's taxpayers. □

Criminal Enforcement

Criminal Enforcement over the past several months included:

- On April 13, 1998, Lawrence Rada, formerly of Howell, NJ, entered a guilty plea to one count of attempted theft by deception. Mr. Rada's plea before Superior Court Judge Hull, Jr. in Monmouth County was based on the filing of a fraudulent 1993 New Jersey Gross Income Tax return wherein a refund in the amount of \$13,552.00 was claimed. The investigation revealed that Mr. Rada had submitted a false W-2 form with the tax return. Mr. Rada faces a maximum jail sentence of 5 years and fines of \$7,500. He is currently under house arrest for 10 months and is serving a 3 year probationary period for similar crimes prosecuted by Federal authorities.
- On April 16, 1998, in Municipal Court, Jersey City, Lasarev Kirkorian, of Englewood Cliffs, NJ, pleaded guilty to failing to file tax returns and failing to remit \$7,331.61 in Motor Fuel Tax for the period March 1996 through September 1997 at Sunny's Mobil Service, Jersey City. He was fined \$810 and restitution of the total amount of tax was paid subsequent to April 16, 1998. This case was part of the Division of Taxation's Motor Fuel Delinquency/ Deficiency Project.
- On April 27, 1998, in Superior Court, Mercer County, Russell Cerminara of Cherry Hill, NJ, pleaded guilty to theft of \$155,308 in NJ Petroleum Gross Receipts Tax that was collected

by a group of ten conspirators on the sale of diesel fuel between October 1992 and June 1993. Cerminara is the fourth of ten defendants to plead guilty in this case, which was known as Operation Boilermaker. Cerminara acted as a salesman, lining up gas stations and truckstops as customers for the group, and he was aware that the tax was being collected from the customers and not remitted. This case was investigated jointly by OCI and the New Jersey Division of Criminal Justice, and was prosecuted by the Division of Criminal Justice.

- On June 3, 1998, members of OCI participated with New York City Department of Finance, Office of Tax Enforcement in a search warrant, executed at the residence of a suspected cigarette tax indicia counterfeiter in Queens, NY. That search warrant resulted in the discovery of a significant number of NJ counterfeit cigarette tax stamps. NYC/OTE personnel arrested the subject and have filed charges in Queens County, NY. A subsequent sweep in the City of Newark and parts of Hudson County was conducted to see if the counterfeit indicia found in the NYC/OTE search warrant had made its way to NJ; no evidence of those stamps was found.

continued on page 14

criminal enforcement - from pg.13

- The Division's Motor Fuel Delinquency/Deficiency Project was completed in June. This project started by identifying eighty (80) taxpayer locations, using criteria relating to non-filing of Special Fuel Returns. The eighty (80) locations were visited and resulted in the identification of one hundred and thirty-nine (139) taxpayers who operated retail diesel stations at these sites during the past two (2) year period. Eighty-one (81) of these taxpayers had violations concerning filing, payments, and/or licenses. Over \$1,661,000 in unreported taxes was identified and assessed. Thirteen (13) taxpayers with liabilities totaling over \$1,555,000 will be criminally prosecuted. The success of the project was due to the cooperative efforts of numerous units within the Division, including Investigations, the Excise Group, Audit and OCI.
- Sixteen guilty pleas for thirteen cases were entered in municipal courts throughout the State by individuals and businesses for noncompliance with the cigarette tax and motor fuels laws. These thirteen cases resulted in the imposition of fines and penalties totaling \$13,063 and the forfeiture of 766 cartons of contraband cigarettes to the State of New Jersey.
- Seventy-eight charges were filed in municipal court on thirty cases for violating the cigarette tax law including possession of 5,140.7 cartons of contraband cigarettes, valued at \$128,517.50. Three cases involved the arrest of three individuals from out of State, who were transporting Virginia

stamped cigarettes. The arrest took place on the NJ Turnpike by New Jersey State Police. The individuals were remanded to Salem County Jail in lieu of \$25,000 bail, each. In another case, Samuel R. Garcia and Jose Danilo Ramos Quintero, both of New York City, were arrested by the New Jersey State Police for transporting 2,082 cartons of untaxed contraband cigarettes. In addition to the charges of possession, transportation of contraband cigarettes, failure to have the required licenses, failure to have invoices in their possession, the vehicle used by the pair in the transportation was seized by our office pending a forfeiture hearing. □

Enforcement Summary

Civil Collection Actions Quarter Ending - June 30, 1998

Following is a summary of enforcement actions for the quarter ending June 30, 1998.

Certificates of Debt

During the quarter ended June 30, 1998, the Division filed 4,004 Certificates of Debt in New Jersey Superior Court. These CODs, which have the same force and effect as docketed judgments, totaled \$44.3 million.

Levies

\$124,451.60 was collected by levying against payments made under State contracts to satisfy debts owed by State vendors.

Jeopardy Assessments

When a vendor is found to have failed to register his or her business or failed to collect and remit sales taxes or file tax returns, the Division of Taxation has the authority to make an immediate, on-site assessment of tax due (referred to as a "jeopardy assessment") and may seize all available assets to satisfy the on-site tax assessment.

The Division makes jeopardy assessments when there is a danger that a non-compliant vendor will discontinue operations, remove his or her business property and flee the State. This remedy is often necessary in cases involving transient vendors, out-of-State businesses operating in New Jersey, or vendors operating from non-fixed locations, such as roadside sales, flea markets or trade shows.

If the liability is not resolved, the seized property can be sold at public auction and the proceeds used to satisfy the tax debt.

For the quarter ending June 30, 1998, \$119,431 was collected from jeopardy assessments.

Seizures

When a liability, for which the Division of Taxation has secured judgments, cannot or will not be satisfied by a taxpayer and all other means of collection of the debt have been exhausted, seizure of the business and personal assets will take place. Field Investigators will close a business, seizing any tangible assets including licenses, inventory, machinery, furniture, vehicles, etc., until arrangements are made for payment of the debt.

continued on page 21

Division of Taxation Seizures (April - June 1998)

Note: Businesses listed may have satisfied their tax liability or otherwise come to agreement with the Division following the date of seizure and may now be reopened.

County	Name/Address	Seizure Date	Business Type	Status
Atlantic	1601 Paradise Inc. t/a Bentleys 1601 Arctic Ave. Atlantic City	6/17/98	Bar	Liquor license seized
	Pats Pizza & Pub Inc. 2233 Atlantic Ave. Atlantic City	6/23/98	Night club	Liquor license seized
	Farnham Ad Sign & Service Inc. t/a US Sign Company of New Jersey 20 MacArthur Blvd. Somers Point	6/25/98	Signs	Vehicles seized
	Gangplank Inc. 3700 Atlantic Brigantine Blvd. Brigantine	6/30/98	Bar	Liquor license seized
Bergen	Chris-Fran, Inc. t/a Gleason's Candelite Tavern 63 Market St. Saddle Brook	5/21/98	Bar	Liquor license released
	House of Doo, Inc. t/a Magic Noodle House 210 Main St. Ft. Lee	5/29/98	Restaurant	Liquor license seized
	Soares, Jean Claude t/a The Midnight Pub 146 Locust Ave. Wallington	6/3/98	Bar	Liquor license seized
Burlington	Gregory, Dana of Yardley, PA Columbus Farmers Market Columbus	4/30/98	Crafts	Closed
Camden	Bobgran Enterprises 202 S. Fifth St. Camden	4/24/98	Bar	Liquor license seized
Cumberland	The Garden Inn Inc. t/a The New York Inn 703 Almond St. Vineland	6/16/98	Restaurant/bar	Liquor license seized
	Ship John Inn Inc. Pier & Market Greenwich	6/24/98	Bar/restaurant	Liquor license seized
	Pitts, James t/a Jim's Auto Sale Bridgeton-Millville Pike Bridgeton	6/24/98	Auto sales	Vehicles seized
Essex	Cleo Cleo Sam Bar Inc. 4 W. Ruynon St. Newark	4/20/98	Bar	Liquor license seized

continued on page 16

taxation seizures - from page 15

County	Name/Address	Seizure Date	Business Type	Status
Essex	Ceara, Inc. t/a Beam Me Up, Watson! Books 358½ Bloomfield Ave. Montclair	4/28/98	Book store	Reopened
	Burks, Harold t/a Miniature Market 555 Central Ave. Newark	5/12/98	Bar	Liquor license released
	Du Drop Inn Inc. 38 Eleventh Ave. Newark	5/14/98	Bar	Liquor license seized
	Ebon South Inc. t/a Terminal D 895 Frelinghuysen Ave. Newark	5/29/98	Bar	Liquor license released
	Lewis Lenwood t/a A & R Lounge 614 S. 10th St. Newark	6/3/98	Bar	Business released, liquor license seized
	Leoram Liquors Inc. t/a Leo Liquors 520 Central Ave. Newark	6/4/98	Liquor store	Closed
	Rodriguez, Juan R. t/a City Line Liquors 949 Frelinghuysen Ave. Newark	6/24/98	Liquor store	Liquor license seized
Gloucester	Cedarwood Inc. Rte. 47 Malaga	4/28/98	Bar	Liquor license seized
Hudson	Shin's Market Inc. t/a Crescent Deli Grocery & Liquor 553 Communipaw Ave. Jersey City	4/21/98	Liquor store/deli	Liquor license released
	Leonard Parness Trucking Corp. 181 Pacific Ave. Jersey City	4/27/98	Trucking company	Vehicle released
	El Meson Picasso 206 Harrison Ave. Harrison	6/3/98	Restaurant	Liquor license released
Mercer	S.A. Cafe, Inc. t/a Two Hudson Place 2 Hudson Place Hoboken	6/18/98	Bar	Liquor license seized
	Fay, John R. t/a John R. Fay Landscaping of Levittown, PA Trenton	6/15/98	Landscaper	Vehicles released
Middlesex	Woodmasters Cabinetry Inc. of Newmstown, PA Yardville	6/17/98	Kitchen cabinets	Vehicle seized
	Lacon Electronic Associates, Inc. t/a LEA Inc. 2325 Plainfield Ave. South Plainfield	6/23/98	Computer sales & service	Closed
	J.J.P.I., Inc. t/a Ecstasy Rte. 35 & Hillerest Ave. South Amboy	6/26/98	Bar	Liquor license seized

continued on page 17

taxation seizures - from page 16

County	Name/Address	Seizure Date	Business Type	Status
Monmouth	Last Chance Tavern Inc. t/a Yakety Yak Cafe 1610 Rte. 35 South Oakhurst	4/6/98	Bar	Liquor license seized
Morris	44 Building Corp. t/a Cutters Bar & Restaurant 67 Morris St. Morristown	4/8/98	Restaurant	Liquor license released
	L & M Zoo Inc. 55 N. Sussex St. Dover	4/16/98	Bar	Liquor license released
	Great Cove Inc. t/a Great Cove Marina 15 Howard Blvd. Jefferson	4/21/98	Restaurant	Liquor license seized
	Slims Tavern Inc. t/a Lenny's Pub Mt. Hope Ave. Rockaway	4/27/98	Pub	Liquor license released
Ocean	Taylor Truck Lease of Trinity, NC t/a Taylor Trucking Point Pleasant	6/1/98	Furniture	Closed
Passaic	Elizondo, Alejanero t/a La Cantina El Trapiche 479 Market St. Paterson	5/11/98	Bar	Liquor license released
	Clifton VFW Post 142 195 Piaget Ave. Clifton	5/12/98	Social club	Liquor license seized
	Falbo, Inc. t/a N & N Tavern 322 Hope Ave. Clifton	5/12/98	Tavern	Liquor license seized
	J & J Turkowsky t/a Umbriagos Liquor Store 805 Van Houten Ave. Clifton	5/12/98	Liquor store	Liquor license released
	Gold, Inc. t/a Coppolas 125 Hamburg Turnpike Bloomingdale	5/20/98	Bar	Liquor license seized
	Ayala, Juan t/a Happy Bar 327 Market St. Paterson	5/21/98	Bar	Liquor license seized
	West Broadway Liquors Inc. t/a Madison Liquors 432 Madison Ave. Paterson	5/21/98	Liquor store	Liquor license released
	Lochiavo, Wallace t/a Hogans Cafe 931 Main St. Passaic	5/26/98	Bar	Liquor license released
	Wally's Tavern Inc. 196 Monroe St. Passaic	5/26/98	Bar	Liquor license released
	The Briefcase Inc. 441 Crooks Ave. Clifton	5/28/98	Bar	Liquor license seized

continued on page 18

taxation seizures - from page 17

County	Name/Address	Seizure Date	Business Type	Status
Passaic	Golden Nights, Inc. 235 Preakness Ave. Paterson	5/28/98	Bar	Liquor license seized
	Valenzuela, Rafael & Valerio, Nelson t/a Discoteca Copacabana 38-40 Park Ave. Paterson	5/29/98	Bar	Liquor license seized
	Cruz, Clara A. t/a Courtside 145 Third St. Passaic	6/1/98	Bar	Liquor license released
	Amici II, Inc. t/a Courtside Pub 66 Center St. Clifton	6/1/98	Bar	Liquor license released
	One on One Bar, Inc. 311 12th Ave. Paterson	6/2/98	Bar	Liquor license seized
	Chuprevich, Thomas t/a Montclair Tavern 923 Main St. Paterson	6/2/98	Bar	Liquor license released
Somerset	Borderline Inc. t/a Break for the Border 793 Route 22 Bridgewater	4/2/98	Restaurant	Closed
Union	Coelho's Bar & Restaurant Inc. t/a Capri 263 Third Ave. Elizabeth	4/1/98	Bar	Liquor license released
	Sharon Gagloti Inc. t/a O'Malley Pub 56 Orchard St. Elizabeth	4/16/98	Bar	Liquor license seized
	Joseph F. Downey & Sons Inc. t/a Last Call 400 So. Broad St. Elizabeth	4/16/98	Bar	Liquor license released
	Brandee & The J's Inc. t/a The Loose Caboose 16 West Grand St. Elizabeth	4/16/98	Bar	Liquor license released
	Burney Corporation t/a Taps Liquors 537 E. Second Ave Roselle	4/23/98	Liquor store	Released
	Abrams Enterprises t/a Old Corner Inn 804 W. Elizabeth Ave. Linden	5/5/98	Bar	Liquor license seized
	Garafalo Liquor t/a Martin's Liquor Store 1003 E. Second St. Plainfield	5/13/98	Liquor store	Liquor license seized
	JADT Associates Inc. t/a Devlin's Pub 907 E. Linden Ave. Linden	5/13/98	Bar	Liquor license seized

continued on page 19

taxation seizures - from page 18

County	Name/Address	Seizure Date	Business Type	Status
Union	David Hanwood, Inc. t/a Lily Greenleaves 226 E. Front St. Plainfield	5/14/98	Restaurant	Liquor license released
	MJAC Corp. t/a Port Liquors 148 First St. Elizabeth	5/20/98	Liquor store	Closed
	Scolin Inc. t/a Paulie D's Restaurant 34 Oxford Ave. Oxford	5/21/98	Bar	Liquor license seized
	Kirkconnell, Oscar Cinderella's Go Go Palace 1117 Elizabeth Ave. Elizabeth	6/1/98	Bar	Released
	Cervantes Inc. t/a Cervantes Lounge 454 First Ave. Elizabeth	6/12/98	Bar	Released

***Division of Taxation Auctions
(April - June 1998)***

County	Name/Address	Auction Date	Business Type	Assets Auctioned
Bergen	246 Broad Ave., Inc. t/a C&E Deli Liquors 246 Broad Ave. Palisades Park	5/7/98	Deli/liquor store	Liquor license
Essex	The Ellington Corporation Inc. t/a Club Renee 507 S. Seventeenth St. Newark	5/28/98	Bar	Liquor license
	Lyon, Larry D. t/a Club Mahogany 474-476 Avon Ave. Newark	5/28/98	Bar	Liquor license
	Delmone Corporation t/a Centre Liquors 92 Centre St. Nutley	6/26/98	Package goods	Liquor license
Hudson	VCP Corp t/a Venice Restaurant 31 Cottage St. Bayonne	4/7/98	Bar/restaurant	Business/liquor license
Middlesex	Tall Stem, Inc. 104 N. Broadway South Amboy	5/13/98	Bar	Liquor license
Monmouth	Last Chance Tavern Inc. t/a Yakety Yak Cafe 1610 Rte. 35 South Oakhurst	5/13/98	Bar	Liquor license

continued on page 20

taxation auctions - from page 19

County	Name/Address	Auction Date	Business Type	Assets Auctioned
Morris	Great Cove Inc. t/a Great Cove Marina 15 Howard Blvd. Jefferson	5/28/98	Restaurant	Liquor license
Passaic	SS Clinton Inc. t/a Pioneer Tavern 350 Warwick Tpke. West Milford	5/7/98	Restaurant	Liquor license
	V F W Post 142 195 Piaget Ave. Clifton	5/8/98	Social club	Liquor license
	West Broadway Liquors Inc. t/a Madison Liquors 432 Madison Ave. Paterson	6/4/98	Liquor store	Liquor license
	Elizondo, Alejandro t/a La Cantina El Trapiche 479 Market St. Paterson	6/8/98	Bar	Liquor license
	Ayala, Juan t/a Happy Bar 327 Market St. Paterson	6/10/98	Bar	Liquor license
	The Briefcase, Inc. 441 Crooks Ave. Clifton	6/10/98	Bar	Liquor license
	Golden Nights, Inc. 235 Preakness Ave. Paterson	6/17/98	Bar	Liquor license
	Gold, Inc. t/a Coppolas 125 Hamburg Turnpike Bloomingdale	6/24/98	Bar	Liquor license
Sussex	Kelly's Steak House Corp. t/a Tobacco Road 441 Rte. 23 Wantage	5/15/98	Restaurant	Liquor license
	183 Dogwood Corp. t/a Stanhope Wine Cellar 93 Rte. 183 Stanhope	5/15/98	Liquor store	Liquor license
Union	Sharon Gagloti Inc. t/a O'Malley Pub 56 Orchard St. Elizabeth	5/28/98	Bar	Liquor license
	214 Lt. Glenn Zamorski Drive Inc. t/a Caspian Tavern 214 Lt. Glenn Zamorski Dr. Elizabeth	5/28/98	Bar	Liquor license
	Garafalo Liquor Corp. t/a Martin's Liquor Store 1003 E. Second St. Plainfield	6/16/98	Liquor store	Liquor license
	JADT Associates Inc. t/a Devlin's Pub 907 E. Linden Ave. Linden	6/25/98	Bar	Liquor license

enforcement summary - from page 14

For the quarter ending June 30, 1998, property of 65 businesses was seized. Some businesses were able to reopen, others remain closed. A listing of these seizures appears on pages 15-19.

Auctions

If the liability of a business seized by the Division is not satisfied or resolved, the business will remain closed. To satisfy the debt, the Division can sell the business assets at a public auction.

During the quarter ending June 30, 1998 twenty-two (22) auctions were held by the Division. A listing appears on page 19.

In the event an auction does not net enough monies to resolve the debt, the Division will execute against the personal assets of any of the business's responsible officers. Responsible officers are held personally liable for the trust fund portion of the debt which includes, but is not limited to, sales tax, withholding tax and motor fuels tax.

Referrals to Attorney General

In cases where the Division has exhausted its administrative remedies without success, referrals are made to the Office of the Attorney General. During the quarter ending June 30, 1998, 408 such cases were referred to the Attorney General's office for additional collection.

Together, the Division's Referral Group and the Attorney General's Collection Unit have collected over \$4.8 million during Fiscal Year 1998.

Liquor License Program

Under State law, applicants for renewal or transfer of a liquor li-

cense must receive a certificate of tax clearance from the Division. This program began in 1996 with seven counties. Seven new counties were added to the program in 1997. Currently all twenty-one counties are reviewed.

During the quarter ending June 30, 1998, 257 notifications of liquor license transfer were received by the Division's Bulk Sales section. Twelve (12) audits relating to this project and previously requested were completed; assessments from these audits totaled \$609,190. □

Tax Briefs

Corporation Business Tax

IRC 332 Liquidation — The Division received a request for confirmation that for Corporation Business Tax purposes New Jersey recognizes a tax-free liquidation pursuant to IRC 332 - Complete Liquidation of Subsidiaries; generally no gain or loss shall be recognized on the receipt by a corporation of property distributed in complete liquidation of another corporation. In the particular inquiry both the parent company and its wholly-owned subsidiary are incorporated under the laws of New Jersey and each files a Form CBT-100.

N.J.A.C. 18:7-5.4 provides: "(a) No adjustment to Federal taxable income is permitted under this rule for: 1. Gains or losses not recognized for Federal income tax purposes under Section 351 or similar sections of the Internal Revenue

Code but only to the extent that recapture of other provisions of the code are not paramount to these sections."

This regulatory section supports the position that New Jersey is following the Federal rule recognizing tax-free liquidations under IRC 332. When a parent corporation completely liquidates an 80% owned subsidiary, the parent shareholder does not recognize gain or loss on the liquidating distributions when certain requirements are met.

A short period return will be required for the liquidating subsidiary, and it will be required to obtain a Tax Clearance Certificate.

Gross Income Tax

Alimony Paid to Nonresident — The Division responded to an inquiry as to whether alimony paid by a New Jersey resident to a non-New Jersey resident is taxed by New Jersey.

The Division replied that a nonresident is subject to tax only on New Jersey source income under N.J.S.A. 54A:5-8. Alimony is not one of the categories of income that is sourced to New Jersey under that statute. Accordingly, alimony payments made by a New Jersey resident to a nonresident are not taxable by New Jersey.

Sales & Use Tax

Bad Debt Refund — The Division responded to an inquiry regarding the procedure for claiming a refund of sales tax remitted on bad debt accounts.

continued on page 22

tax briefs - from page 21

A vendor's refund claim is governed by the "bad debts" rules, N.J.A.C. 18:24-23.1 et seq., which implement N.J.S.A. 54:32B-12(c) and N.J.S.A. 54:32B-20 of the Sales and Use Tax Act. When a vendor has already remitted the tax due on a sale, but the account receivable proves to be worthless and uncollectible, the vendor may apply for a refund. N.J.A.C. 18:24-23.2. If the vendor collected no payment at all from the customer, the vendor will be allowed a full refund of the sales tax remitted. N.J.A.C. 18:24-23.2(a)1. However, if the vendor collected only part of what the customer owed, but that partial collection amounted to *at least* the amount of sales tax due and remitted, the vendor will not be entitled to a refund. N.J.A.C. 18:24-23.2(a)2. The regulation makes it clear that any partial payments received by the vendor must first be applied toward the sales tax liability, before it is applied toward the vendor's charges for the merchandise itself. The vendor is not allowed a refund for a portion of the sales tax remitted when the customer's payments were sufficient to cover the sales tax, but fell short of covering the total charges for the merchandise plus tax. The refund claim must be within four years of the date the tax was paid. N.J.S.A. 54:32B-20.

Energy Sales to Exempt Organizations — The Energy Tax Reform Act, P.L. 1997, c.162, imposes New Jersey Sales and Use Tax on the retail sale of natural gas and electricity. The sales and

use tax on energy replaces the Gross Receipts and Franchise Tax, which was repealed as of December 31, 1997.

There is no exemption available for purchases of gas and electricity by qualified exempt organizations such as non-profit nursing homes, schools, and churches. N.J.S.A. 54:32B-9(c)(2). However, there is a provision whereby certain consumers are granted a partial sales tax exemption. In order to be eligible for this exemption, the consumer must have purchased natural gas from a non-utility vendor (gas marketer) *prior* to December 31, 1995. The partial exemption rules require the claimant to file a certification with the New Jersey Division of Taxation.

For additional information, see the Notice to Industrial and Commercial Purchasers of Natural Gas, which is available on the Division's home page.

GAP Insurance — The sale of GAP insurance by the insurance company to an automobile lessor or to a creditor financial institution is viewed as an exempt insurance service transaction. Therefore the premiums paid by the insured to the insurer are not subject to sales and use tax. *See* N.J.S.A. 54:32B-2(e)(4)(A).

If the insured automobile dealer or financial institution then contracts with a particular customer for an extra amount of money in exchange for either waiving a GAP deficiency or assigning rights under the policy to the lessee, this additional billing is not deemed to

be the sale of an "insurance service." It is simply an increase in the taxable lease receipt and is therefore includible in the tax base for purposes of computing the lessor's use tax liability under the lease-payment method. *See* N.J.S.A. 54:32B-2(d).

Sales by a New Jersey Public Authority — The Division responded to an inquiry regarding the applicability of New Jersey sales and use tax on sales of fertilizer by a New Jersey public utilities authority.

The public utilities authority, which operates regional sewer treatment facilities, converted sludge into organic fertilizer and will be marketing this fertilizer to garden centers, landscapers and other end users.

The New Jersey public utilities authority is a public authority of a political subdivision of the State of New Jersey and its sales are exempt from sales and use taxes "...where it is a vendor...of property of a kind not ordinarily sold by private persons." N.J.S.A. 54:32B-9(a)(1). When the public utilities authority sells fertilizer on a regular, ongoing basis to garden centers, landscapers and other end users, such sales would be subject to tax as this is not property of a kind not ordinarily sold by private persons. Their sales to garden centers (resellers) would be exempt when they receive an ST-3 Resale Certificate to document the exemption. Their sales to end users, including landscapers who as contractors are considered end users, would be taxable. N.J.S.A. 54:32B-2(e).

continued on page 23

tax briefs - from page 22

Taxability of Garage Bay Leases Clarified — In a recent conference, the imposition of sales tax on the “lease” of garage bays was upheld because the transaction was not considered to be a lease of real property. To be considered an exempt lease of real property for storage purposes the following conditions must be met:

1. The lessee contracts for the possession of real property or an identified, lock-secured compartment in which the lessee holds an exclusive right of use and possession;
2. The lessee has unlimited control of access; and
3. The lessor does not perform any duties involving the storage of tangible personal property by the lessee.

(See *New Jersey State Tax News*, Vol. 12, No. 6.)

e transactions under review differed from the self-storage warehouse lease transaction in that the lessor maintained direct control over access to the facility and the vintage automobiles stored therein by the lessee. The storage facility is comprised of 10 bays which are not separated by walls. The owner of the facility and/or their employees had to be physically present to unlock the bay to allow the lessee access to their vehicle. The lessor was responsible for damage done to other vehicles during the removal and return of the vehicle.

The lessor maintained a set of keys for all vehicles housed in the facility, and quite often the lessee would request that the lessor remove and wash, change the oil and/or tune up the vehicle being stored. Sales tax was charged and collected on these additional taxable services.

The Sales and Use Tax Act at N.J.S.A. 54:32B-3(b)(3) provides for sales and use tax on the storing of tangible personal property, therefore, based upon the facts in this case, the receipts were not from the exempt “lease” of garage bays but rather were taxable receipts for the storing of tangible personal property under the circumstances of this case. □

In Our Courts

Corporation Business Tax Offset of Overpayment Against Deficiencies of Merged Corporation — *Sea Land Service Inc., v. Director, Division of Taxation*, decided May 20, 1998; Supreme Court of New Jersey; No. C-1066 September Term 1997.

The Supreme Court denied petitioner’s, Sea Land Service Incorporated, petition for certification. Previously, the Appellate Division had affirmed the Tax Court’s holding that the surviving corporation’s wholly owned subsidiary’s and parent’s pre-merger Corporation Business Tax (CBT) deficiencies could not be offset against the surviving corporation’s pre-merger CBT overpayments.

Gross Income Tax Credit for Taxes Paid to Other Jurisdiction – Taxes Paid by Non-New Jersey S Corporation — *Sutkowski v. Director, Division of Taxation*, decided June 15, 1998; Superior Court, Appellate Division; No. A-3725-96T3.

The NJ Gross Income Tax Act provides New Jersey (NJ) residents with a credit for income taxes paid to other states. The formula for calculating the credit is expressed as a fraction:

$$\text{Tax Credit} = \frac{\text{NJ Income Subject to Tax by Another State}}{\text{Entire NJ Income}}$$

The NJ resident taxpayer owned a New York (NY) S corporation which made actual cash distributions to taxpayer in 1991. In 1991, NJ did not recognize S corporation status. Therefore, only the actual distributions of S corporations were considered dividend income to NJ taxpayers for GIT purposes. The taxpayer did not contest that the entire dividend income was included in the denominator “Entire NJ income.” At dispute was whether the NJ taxpayer could claim any of these dividends in the numerator as “NJ income subject to tax by another state” which would result in a tax credit.

The Tax Court held that the taxpayer’s NJ dividend income did not qualify as income taxed by NY because the corporation’s income and the taxpayer’s dividend did not result from the same taxable event. Therefore, the Tax Court

continued on page 24

in our courts - from page 23

ruled that the NJ taxpayer was not entitled to any credit. However, on appeal, the Appellate Division reversed. The Appellate Division held that where the same money is taxed by another state and in NJ for the same tax year, the Legislature intended that the NJ taxpayer receive a credit for taxes paid to the other state.

First, the Appellate Division ruled that NJ dividend income was the same income taxed by NY. The court found that the legislative history enacting the resident credit was concerned only with whether tax was paid on the income and was not focused on either the taxable event or the label placed on the income. Therefore, although the taxpayer's income was labeled dividends, it was derived from the S corporation's income which was taxed in NY and that event thereby entitled the taxpayer to include the dividend in the numerator as "NJ income subject to tax by another state." The court noted that this problem will not recur for tax years commencing after July 7, 1993 because NJ legislation was enacted which recognized the S corporate entity.

Next, the Appellate Division needed to decide how much of the 1991 dividend income was the same 1991 income taxed in NY because the NJ resident credit is only applicable to out-of-State taxes paid in the same tax year. The court found that there was no statute or regulation governing this issue. Therefore, the court ruled that the proper way to determine

the source year of the 1991 dividend distribution is to first look to current earnings and profits and then any excess dividends would be attributed to accumulated earnings and profits. The court reasoned that this method most clearly resembles the legislative intent behind the resident credit of avoiding double taxation.

Sales and Use Tax

Lease Receipts – Repair and Maintenance Costs Included Therein – *Modern Handling Equipment of New Jersey, Inc. v. Director, Division of Taxation*, decided April 6, 1998; Tax Court; No. 000151-97.

Modern Handling Equipment (MHE) is engaged in the business of leasing equipment for commercial purposes. In accordance with the 1989 amendments to the Sales and Use Tax Act, N.J.S.A. 54:32B-2(bb), MHE elected to remit sales tax based on the equipment's purchase price rather than the lessee's lease payments. MHE's leases required the lessee to pay a lump sum monthly fee for the equipment including "all replacement parts, additional repairs and accessories" over a term of years. Sales tax was not charged on any portion of the monthly payment.

In calculating the monthly lease payment, MHE based its charge upon the equipment's purchase price, freight, interest, profit element, and the projected repair and maintenance costs. Two sample leases revealed that the repair and

maintenance cost component constituted between 35% and 48% of the total monthly fee. Furthermore, MHE neither assessed additional charges where it underestimated actual repair and maintenance costs nor did it refund over-estimated costs.

Although the Division determined that MHE properly paid sales tax on its equipment purchases, the Division assessed sales tax on the projected repair and maintenance portion of MHE's monthly lease receipts. MHE appealed. The Tax Court ruled that the equipment lease component and the repair and maintenance service component of the transaction are not divisible in this lease situation and therefore the repair and maintenance portion is not subject to sales tax. The Court's analysis focused on the 1989 amendments which designated the lessor (MHE) as the sole statutory user as well as the fact there was no separate agreement for the repair and maintenance portion. Therefore, the Court reasoned that MHE was entitled to protect its investment by maintaining its equipment without additional sales tax liability.

It should be noted that the court stated that its decision might be different if (1) the lessor offered unmaintained equipment, (2) repair and maintenance contracts were separate from the lease agreement, (3) MHE billed its customers for service calls, or (4) MHE had the right to charge customers for the excess of actual repair and maintenance expenses over the projected expenses. □

In Our Legislature

Gross Income Tax

Roth IRAs — P.L. 1998, c.57 (signed into law on July 24, 1998) Amends and supplements N.J.S.A. 54A:5-1 to conform the New Jersey gross income tax treatment of Roth IRAs to the tax treatment such accounts receive for Federal purposes. The Act provides exclusions from New Jersey gross income tax for certain qualified distributions from Roth IRAs and allows four-year reporting of certain taxable distributions. This legislation applies to tax years beginning after December 31, 1997.

Miscellaneous

Sale of State Tax Indebtedness — P.L. 1998, c.39 (signed into law on

June 30, 1998) authorizes the New Jersey State Treasurer to sell all rights, title and interest in any State tax indebtedness and lien represented by a certificate of debt, provided that the underlying indebtedness is fixed, has been finally determined by the Division of Taxation, and is no longer subject to protest or appeal, unless the taxpayer can demonstrate by clear and convincing evidence that the contrary is true. This legislation became effective upon enactment.

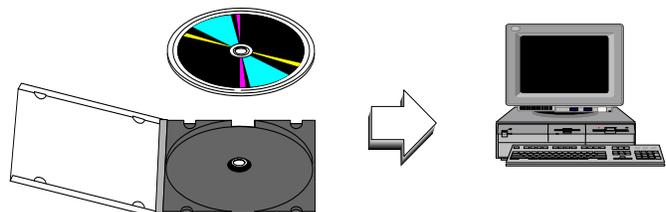
Business Employment Incentive Program (Amendment) — P.L. 1998, c.33 (signed into law on June 30, 1998) enhances the availability of program grants for certain partnerships and limited liability companies by permitting

grants authorized under the program to be determined based upon the withholding or estimated tax payments (or any combination thereof) of partners and members of limited liability companies as well as upon the withholdings of employees. This legislation became effective upon enactment.

Veteran's Tax Deduction — P.L. 1998, c.49 (signed into law on July 4, 1998) extends certain benefits, including the annual \$50 veteran's deduction, to certain participants in Operation "Restore Hope" (Somalia) or Operations "Joint Endeavor" and "Joint Guard" (Bosnia and Herzegovina). This legislation became effective upon enactment. □

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* Additions include most of the Division of Taxation's information publications including the Division's *Annual Report* and its quarterly newsletter, the *New Jersey State Tax News*.

tax calendar

october

	SUN.	MON.	TUE.	WED.	THU.	FRI.	SAT.
1					1	2	3
9	4	5	6	7	8	9	10
9	11	12	13	14	15	16	17
8	18	19	20	21	22	23	24
	25	26	27	28	29	30	31

October 13

- CWIP-1 Cigarette Tax**—Informational report by wholesalers
- CWIP-2 Cigarette Tax**—Informational report by wholesalers

October 15

- CBT-100 Corporation Business Tax**—Annual return for accounting period ending June 30
continued

October 15 - continued

- CBT-150 Corporation Business Tax**—Installment payment of estimated tax for 4th, 6th, 9th or 12th month of current tax year

October 20

- CR-1 & CNR-1 Cigarette Tax**—Monthly report of cigarettes sold or used by distributors, manufacturers, representatives and consumers
- GA-1D Motor Fuels Tax**—Distributor's monthly report of gallons of fuel sold or used
- GA-1J Motor Fuels Tax**—Jobber's monthly report of gallons of fuel
- MFT-10 Motor Fuels Tax**—Monthly report by seller-user of special fuels for sales and/or use in the previous month
- SCC-5 Spill Compensation and Control Tax**—Monthly return
- ST-20 New Jersey/New York Combined State Sales and Use Tax**—Quarterly return
continued

October 20 - continued

- ST-50 Sales and Use Tax**—Quarterly return
- ST-250 Combined Atlantic City Luxury Tax/State Sales Tax**—Monthly return
- ST-350 Cape May County Tourism Sales Tax**—Monthly return
- ST-450 Sales and Use Tax—Salem County**—Quarterly Return
- TP-20 Tobacco Products Wholesale Sales and Use Tax**—Monthly return
- UZ-50 Combined State Sales Tax/Urban Enterprise Zone Sales Tax**—Monthly return

October 26

- PPT-40 Petroleum Products Gross Receipts Tax**—Quarterly return

October 30

- NJ-927 & NJ-927-W Gross Income Tax**—Employer's quarterly report

november

	SUN.	MON.	TUE.	WED.	THU.	FRI.	SAT.
1	1	2	3	4	5	6	7
9	8	9	10	11	12	13	14
9	15	16	17	18	19	20	21
8	22	23	24	25	26	27	28
	29	30					

November 10

- CWIP-1 Cigarette Tax**—Informational report by wholesalers
- CWIP-2 Cigarette Tax**—Informational report by wholesalers

November 16

- CBT-100 Corporation Business Tax**—Annual return for accounting period ending July 31
continued

November 16 - continued

- CBT-150 Corporation Business Tax**—Installment payment of estimated tax for 4th, 6th, 9th or 12th month of current tax year
- NJ-500 Gross Income Tax**—Employer's monthly remittance

November 20

- CR-1 & CNR-1 Cigarette Tax**—Monthly report of cigarettes sold or used by distributors, manufacturers, representatives and consumers
- GA-1D Motor Fuels Tax**—Distributor's monthly report of gallons of fuel sold or used
- GA-1J Motor Fuels Tax**—Jobber's monthly report of gallons of fuel
- MFT-10 Motor Fuels Tax**—Monthly report by seller-user of special fuels for sales and/or use in the previous month
- SCC-5 Spill Compensation and Control Tax**—Monthly return
continued

November 20 - continued

- ST-21 New Jersey/New York Combined State Sales and Use Tax**—Monthly return
- ST-51 Sales and Use Tax**—Monthly remittance
- ST-250 Combined Atlantic City Luxury Tax/State Sales Tax**—Monthly return
- ST-350 Cape May County Tourism Sales Tax**—Monthly return
- ST-451 Sales and Use Tax—Salem County**—Monthly Return
- TP-20 Tobacco Products Wholesale Sales and Use Tax**—Monthly return
- UZ-50 Combined State Sales Tax/Urban Enterprise Zone Sales Tax**—Monthly return

November 25

- PPT-41 Petroleum Products Gross Receipts Tax**—Monthly return

december

	SUN.	MON.	TUE.	WED.	THU.	FRI.	SAT.
1			1	2	3	4	5
9	6	7	8	9	10	11	12
9	13	14	15	16	17	18	19
8	20	21	22	23	24	25	26
	27	28	29	30	31		

December 10

CWIP-1 Cigarette Tax—Informational report by wholesalers

CWIP-2 Cigarette Tax—Informational report by wholesalers

December 15

CBT-100 Corporation Business Tax—Annual return for accounting period ending August 31

continued

December 15 - continued

CBT-150 Corporation Business Tax—Installment payment of estimated tax for 4th, 6th, 9th or 12th month of current tax year

NJ-500 Gross Income Tax—Employer's monthly remittance

December 21

CR-1 & CNR-1 Cigarette Tax—Monthly report of cigarettes sold or used by distributors, manufacturers, representatives and consumers

GA-1D Motor Fuels Tax—Distributor's monthly report of gallons of fuel sold or used

GA-1J Motor Fuels Tax—Jobber's monthly report of gallons of fuel

MFT-10 Motor Fuels Tax—Monthly report by seller-user of special fuels for sales and/or use in the previous month

SCC-5 Spill Compensation and Control Tax—Monthly return

continued

December 21 - continued

ST-21 New Jersey/New York Combined State Sales and Use Tax—Monthly return

ST-51 Sales and Use Tax—Monthly remittance

ST-250 Combined Atlantic City Luxury Tax/State Sales Tax—Monthly return

ST-350 Cape May County Tourism Sales Tax—Monthly return

ST-451 Sales and Use Tax—Salem County—Monthly Return

TP-20 Tobacco Products Wholesale Sales and Use Tax—Monthly return

UZ-50 Combined State Sales Tax/Urban Enterprise Zone Sales Tax—Monthly return

December 28

PPT-41 Petroleum Products Gross Receipts Tax—Monthly return

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from the director's desk

Successful FY98

As this newsletter goes to print, we are compiling preliminary end of the year statistics. FY98 was a good year for us with our revenue collections increasing once again. Auditors from our Audit Activity assessed over \$264 million during FY98. Investigators from our Compliance Activity collected over \$166 million during FY98 (compared to the FY97 total of approximately \$121 million). Information currently available shows that the total revenue collected during FY98 was more than \$17 billion, an increase of \$2 billion over FY97 collections. In addition, the Division provided information to 1.4 million persons who requested assistance by phone or letter. Congratulations to all Division employees for another successful year!

Issuing Exemption Certificates

New Jersey sales tax exemption certificates issued to purchase taxable items without payment of sales tax must be given to the vendors who sold the items. The vendors are required to retain the exemption certificates in their files for a period of at least four years in the event of an audit by the Division of Taxation. Sometimes purchasers, usually new business owners, mistakenly send the exemption certificates to the Division of Taxation rather than to the vendor from whom the purchase was made. A friendly reminder to purchasers: you do not need to send sales tax exemption certificates to this Division. If you do, they will be returned to you with a request to forward them to your supplier.