

**NOTICE: CHANGES TO URBAN ENTERPRISE ZONES PROGRAM
SALES TAX EXEMPTION - REFUND PROCEDURES
(3/22/11)**

Effective April 1, 2011, recently passed legislation, P.L. 2011 c.28 (A1559), changes the Urban Enterprise Zones Act (N.J.S.A. 54:27H-60, et seq.) as follows:

Under the new law, all qualified Urban Enterprise Zone (UEZ) businesses will be eligible to receive the sales tax exemption at the point of purchase regardless of annual gross receipts generated in the prior annual tax period. The law changes the process back to the way it operated prior to July 15, 2006. The new changes permit any duly certified qualified UEZ business to claim a sales tax exemption at the point of purchase for eligible exempt purchases of tangible personal property and services that are used or consumed exclusively at the UEZ business location when an Urban Enterprise Zone Exempt Purchase Certificate (Form UZ-5-SB or Form UZ-5) is issued to its sellers.

Application Process

As all UEZ businesses will be eligible for a sales tax exemption, there will no longer be a need to complete Form UZ-5-SB-A as part of the UEZ certification application or renewal procedures. Additionally, the Division of Taxation will no longer need to verify a business' gross annual receipts for the previous calendar year. However, the Division will continue to check an entity's tax compliance status on an annual basis for the application and recertification approval process.

Certificates

UEZ businesses that were formerly classified as "small qualified businesses" may continue to issue valid UZ-5-SB certificates to their suppliers, until such certificates expire. As the UZ-5-SB certificates expire, they will be replaced with UZ-5s.

Large certified UEZ businesses that did not previously qualify for the exemption certificates, and newly certified UEZ businesses will receive UZ-5 certificates with effective dates beginning April 1, 2011. Please note that the point-of-purchase exemption cannot be applied retroactively. Therefore, the UZ-5 exemption certificates can only be used for purchases for which the invoice date is on or after April 1, 2011.

Extension of Refund Procedure for Large Businesses

The refund procedure for those businesses not considered "small qualified businesses" will be eliminated effective April 1, 2011. However, UEZ refund requests may still be filed for purchases having an invoice date up through March 31, 2011. Refund claims may be filed one year following the invoice date or invoice payment date, whichever is later. These taxpayers should continue to follow the same filing procedure for submitting a UEZ sales or use tax refund request. Instructions on how to file a UEZ sales and use

tax refund claim can be found at:

http://www.state.nj.us/treasury/taxation/pdf/other_forms/uez/a3730uez_claimin.pdf.

Refund Process for Pre-Certification Purchases

The law also allows a qualified UEZ business to apply for refunds of sales and use taxes paid on exempt property or services purchased and used in the initial building or equipping of a business in a zone prior to the business becoming certified. A qualified business may file a claim for refund of sales (or use) tax associated with eligible purchases made during the UEZ application process, only **after** the business has become certified as a qualified business by the Urban Enterprise Zone Authority. Under the law, claims for refunds associated with eligible purchases must be made and filed with the Division of Taxation after the business is certified as a qualified business, but within one year of the date that the purchase is made. Eligible purchases are exempt tangible personal property or services that are made for the exclusive use or consumption of a qualified business within a zone.

Businesses making such a claim will be required to file Form A-3730-UEZ within one year of the date of purchase as indicated by the invoice date or invoice payment date, whichever is later.

Refund Process When Exemption Certificate Is Not Received

As of April 1, 2011, if a UEZ business does not have its exemption certificate and is charged tax on an eligible exempt purchase, the business may file a regular refund claim using Form A-3730, within 4 years of payment of the tax. Forms and instructions for Form A-3730 can be found at:

http://www.state.nj.us/treasury/taxation/pdf/other_forms/sales/a3730.pdf.

Use Tax

As of April 1, 2011, qualified UEZ businesses will no longer have to self-assess use tax for UEZ eligible exempt purchases which were from out of state sellers where tax was not collected or was collected at a lesser tax rate than New Jersey's, or for items removed from inventory.

For further questions regarding changes to the law, please contact the local UEZ coordinators. The list of zone office locations can be found at:

<http://www.state.nj.us/dca/affiliates/uez/coordinators/>.