

ASSEMBLY, No. 2685

STATE OF NEW JERSEY

INTRODUCED JANUARY 29, 1997

By Assemblyman COHEN

1 AN ACT providing a phase-in of the sales and use tax rate for
2 telecommunications services for newly relocated or expanded
3 businesses in this State, supplementing P.L.1966, c.30 (C.54:32B-
4 1 et seq.).

5
6 BE IT ENACTED by the Senate and General Assembly of the State
7 of New Jersey:

8
9 1. a. Notwithstanding the 6% rate of tax imposed pursuant to
10 section 3 and section 6 of P.L.1966, c.30 (C.54:32B-3 and 54:32B-6),
11 a new relocated business or an expanded business in this State, subject
12 to certification pursuant to this section by the Director of the Division
13 of Taxation in the Department of the Treasury, shall in lieu of that
14 rate, be subject to the sales and use tax upon receipts from every
15 purchase or use by the business, except for resale, of intrastate or
16 interstate telecommunications charged to an address in this State,
17 according to the following rate schedules for a certified business
18 located within a qualified municipality as defined in subsection d. of
19 this section and for a certified business located elsewhere in this State:

21 Business within a Qualified Municipality:
22 During year
23 after Rate of Tax
24 certification
25 1st year .....0.6%
26 2nd year .....1.2%
27 3rd year .....1.8%
28 4th year .....2.4%
29 5th year .....3.0%
30 6th year .....3.6%
31 7th year .....4.2%
32 8th year .....4.8%
33 9th year .....5.4%

1           10th year  
 2           and  
 3           thereafter .....6.0%

4

5           **Business not within a Qualified Municipality:**

6	During year		
7	after		Rate of Tax
8	certification		
9	1st year	.....	1%
10	2nd year	.....	2%
11	3rd year	.....	3%
12	4th year	.....	4%
13	5th year	.....	5%
14	6th year		
15	and	.....	6%
16	thereafter		

17

18       b. In order to claim the reduced rates of tax set forth in subsection  
 19 a. of this section a new relocated business or expanded business in this  
 20 State shall apply to the director for a certificate that the business is a  
 21 new relocated business or an expanded business, and if applicable, that  
 22 the business is located in a qualified municipality. Copies of the  
 23 certificate shall be filed by the business with any vendor of intrastate  
 24 or interstate telecommunications, as may be appropriate, in order to  
 25 establish the rate of tax which shall be imposed and collected by the  
 26 vendor upon any purchase or use by the business, except for resale,  
 27 made through the vendor, of intrastate or interstate  
 28 telecommunications charged to an address in this State. Application  
 29 shall be in a form, and shall include such information, as the director  
 30 may prescribe.

31       c. A certificate obtained pursuant to subsection b. of this section  
 32 shall first be applicable to purchases or use by the certified business  
 33 made in the calendar month following the issuance of the certificate by  
 34 the director and the annual rates applicable pursuant to subsection a.  
 35 of this section shall be applicable to the respective 12 consecutive  
 36 calendar month periods following the calendar month in which the  
 37 certificate is issued. No business granted an expanded business  
 38 certificate shall qualify for a subsequent certificate as an expanded  
 39 business covering a new series of reduced rate periods until the  
 40 expiration of all reduced rate periods covered by the current, valid  
 41 certificate. A certificate holder shall annually file with the director  
 42 such information as the director shall prescribe that demonstrates that  
 43 the business continues to be actively engaged in the conduct of

1 business at the location at which it qualified for the certificate and has  
2 an amount of annual compensation that is at least equal to the amount  
3 of compensation paid by the business in the year in which the  
4 certificate was granted. The director shall revoke the certificate of a  
5 new relocated business or an expanded business that does not comply  
6 with this annual requirement.

7 d. As used in this section:

8 "Compensation" means wages, salaries, commissions or any other  
9 form of remuneration paid to employees residing and domiciled in this  
10 State for personal services performed substantially at the new  
11 relocated business or expanded business location in this State.

12 "Expanded business" means a business enterprise actively engaged  
13 in the conduct of business from a location within this State that during  
14 any calendar year commencing after the operative date of this act pays  
15 compensation at equal to at least 125% of the compensation paid  
16 during the previous calendar year in which the business was in  
17 operation at that location for at least 12 months, and does not reduce  
18 the number of employees of the business in this State during that  
19 calendar year.

20 "New relocated business" means a business enterprise actively  
21 engaged in the conduct of business from a location within this State  
22 that commences operation for the first time at any location within this  
23 State on or after the operative date of this act, that prior to that date  
24 maintained a business enterprise at a location outside this State which  
25 is moved into this State on or after the operative date of this act, and  
26 that during the calendar year in which it commences operation of  
27 business at that location pays compensation in excess of the  
28 compensation paid during the previous calendar year; and

29 "Qualified municipality" means any municipality which at the time  
30 of the certification of a new relocated business or expanded business  
31 located in the municipality was either eligible to receive aid under the  
32 "Special Municipal Aid Act," P.L.1987, c.75 (C.52:27D-118.24 et  
33 seq.) or was coextensive with a school district which qualified for  
34 designation as a "special needs district" pursuant to the "Quality  
35 Education Act of 1990," P.L.1990, c.52 (C.18A:7D-1 et seq.).

36

37 2. This act shall take effect immediately but section 1 shall remain  
38 inoperative until the first day of the second month after enactment.

39

40

41

#### STATEMENT

42

43 This bill provides for a phase-in of the sales and use tax rate upon  
44 purchases of telecommunications services for business enterprises that  
45 relocate to or expand in New Jersey. Businesses that relocate their  
46 business operation for the first time to a location within this State by

1 moving a business enterprise from a location outside this State, and  
2 businesses that expand their operations at a location in this State by  
3 increasing wages and other compensation paid to New Jersey workers  
4 at that location while maintaining their employment level can obtain  
5 reduced rates on their purchases of telecommunications services  
6 charged to an address in this State. If the expanded business or  
7 relocated business is located in a "qualified municipality" as defined in  
8 the "New Jersey Urban Redevelopment Act," P.L.1996, c.62 (C.55:19-  
9 20 et seq.), the current 6% percent sales and use tax rate will be  
10 phased-in over a 10 year period after the expansion or relocation. At  
11 any other business location in this State the phase-in to a 6% rate of  
12 tax will be over a 6 year period. These reduced tax rates will provide  
13 an incentive for increased business expansion and relocation in this  
14 State through cost savings on purchases of telecommunications  
15 services that are becoming an increasingly more important business  
16 expense in a growing information- and service-based economy.

17

18

19

20

21 Provides reduced sales and use tax rate on telecommunications  
22 services purchased by expanded or newly relocated businesses in New  
23 Jersey and provides phase-in to regular rate.