

NEW JERSEY URBAN ENTERPRISE ZONE LIMITATIONS

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January 28, 2022

New Jersey issued new guidance on changes to Urban Enterprise Zone program that goes into effect on January 1, 2021. The UZ-4 (contractor) and UZ-5 (business) exemption certificates are used by contractors and businesses, respectively, to make tax-free purchases of purchases of services and tangible personal property. In 2022, the amount of exempt purchases will be limited to the first \$100,000 in taxable purchases at the UEZ location. There are two exceptions to the exemption limitations enacted by New Jersey.

The caps will not apply to:

- 1) Purchases by a grocery store or supermarket in a food desert community
- 2) Purchases of construction materials, supplies and services by a contractor when erecting new structures or substantially improving, altering or repairing a qualifying property

The New Jersey Division of Taxation, in its notice on the UEZ changes, informed UEZ businesses of its intent to scrutinize the use of the UZ-4 and UZ-5 exemption certificates. Businesses located in and utilizing the sales tax benefits of the UEZ program should take measures to ensure proper tracking and reporting of the \$100,000 limitations. The Division of Taxation indicated that taxpayers will be responsible for sales/use tax as well as penalty and interest if they exceed the annual purchase limitations.

About the Author(s)

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