

## Urban Enterprise Zone Program

# Program Procedures

### Program Requirements

**Increased Employment:** One of the main objectives of the UEZ program is to increase the level of employment in designated zones. To remain in the program, you must increase your full-time employment level by at least one person during your first year in the program and maintain this increase throughout your program involvement. ***(You are not required to increase your level of employment by one additional person every year.)***

If you are unable to meet this requirement, you may, upon the State UEZ Executive Director's discretion, be recertified conditionally for one year. The increased employment requirement must be met the subsequent year, however, or you will be disqualified from the program. Businesses that begin the program with 10 or less full-time employees may be able to meet their hiring requirement through increased part-time employment. Certain businesses which employ fewer than 50 persons and were established in the zone at least one year before the zone designation, may apply for an "In-Lieu Option." This allows a business to substitute permanent capital investments for new employment. Contact your coordinator for additional information prior to your anniversary date.

**25% Employment Factor:** If you located at your zone street address **after** the date your municipality's zone was designated, you are required to meet a "25% Employment Factor" within two years from your certification date. This means during your first or second year in the program at least 25% of your **new** full-time hires must meet one or more of the following criteria:

- 1) The employee is a resident of a New Jersey municipality in which any Urban Enterprise Zone is located;
- 2) the employee is a New Jersey resident who has been unemployed or a recipient of New Jersey Public Assistance six months prior to being hired; or
- 3) the employee is economically disadvantaged according to the Federal Job Training Partnership Act (JTPA).

For information about employees who may meet these criteria, contact the New Jersey Department of Labor, Division of Employment Services Job Order Taking Unit at 1-800-233-5005. *(Please note that the Department of Labor cannot confirm whether your existing employees meet these criteria.)*

### Application Process

After you submit your Certification Application to your local coordinator, you will receive a letter from the State Urban Enterprise Zone Office granting approval for a one-year period. The New Jersey Division of Revenue will send you tax-related permits. Prior to the end of your certification period, and every year thereafter, you will receive notification from your coordinator and from the Division of Revenue that you are due for recertification. You will receive a recertification application on which you will be required to report employment, investment and sales tax statistics from the preceding program year as described below. Remember to track this information during your program year to simplify the application process next year. **If you have not received your Recertification Application four weeks prior to your deadline, contact your coordinator immediately to ensure continuation of your tax benefits. Tax permits are issued for a one-year period only. New permits are issued only if your Recertification Application is approved.**

A program year begins at your certification or recertification date. For example, if your original certification date was May 8, 1994, your program year, or certification period, would expire May 7, 1995. You would report information for that time period and project information for the next program year --May 8, 1995 until May 7, 1996. Specifically, you will be required to track and report:

**Full-time Employment Data:** You will be required to provide the names, social security numbers and addresses of all the **full-time** personnel you employ at the time of your reapplication into the program. Full-time employees work twelve months per year and at least 30 hours per week. They must report to the zone location at least 51% of the year. You will also be required to describe certain characteristics of your new hires during the program year as described earlier under the 25% Employment Factor section of these instructions. The information will be reported on a Recertification Employee Data Sheet supplied by your coordinator. A computer printout may be substituted as long as the same information is provided.

**Part-time Employment:** You will also be required to report your total number of part-time employees. Part-time employees must work a minimum of 15 hours per week, a minimum of 16 weeks per year and earn at least \$1,000 per quarter. Businesses that employed 10 or less full-time employees at the time they began the program must also provide the names, social security number and addresses for these employees.

**Capital Investment:** You will be required to report the amount of capital investment you made during your program year. Capital investments for the purpose of this application refer to the purchase of property which is depreciated over a term of years; for example, building additions and improvements, furniture, computers, motor vehicles and machinery.

Capital investments do not include property expensed on an annual basis; for example, office supplies, paper products, machine parts with a life of less than one year, expendable items, etc.

**Savings from Sales Tax Exemptions:** You will be required to report the amount of sales tax savings you realize as a result of using your UZ-4 and UZ-5 exempt sales tax certificates during your program year (refer to Sales and Use Tax Benefits under Program Benefits section of these instructions). To facilitate tracking of this information, you will receive an "Exempt Sales Tax Tracking Form" with your approved certification and subsequent recertification applications. If the number of purchases you make is extensive you may summarize the information, for example, by month or type of purchase. If you did not make any tax-exempt purchases, complete the form by entering "0" in the "Total (\$)" boxes. You may also substitute a computer printout which provides the same information, however be sure to attach the signed "Exempt Sales Tax Tracking Form" as a cover to your print-out and include totals in the "Total (\$)" boxes. **Your application cannot be processed without a completed and signed Sales Tax Tracking Form.**

**Note:** *If you have any change in your taxpayer identification numbers during your program year as a result of a change in ownership, contact your coordinator immediately. You will be requested to reapply into the program as a new company. Failure to notify your coordinator immediately can result in a lapse of your tax benefits from the Division of Revenue.*

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## Program Benefits

**Sales and Use Tax Exemptions:** As a participating Urban Enterprise Zone business you will be exempt from paying the State sales tax on certain products and services. After being approved by the State Urban Enterprise Zone Office, you will receive a combined Urban Enterprise Exempt Purchase Permit and Exempt Qualified Business Permit (UZ-4, UZ-5) directly from the New Jersey Division of Revenue. **You cannot begin using the exemption benefits until you receive this permit.**

You will also receive a Contractor's Exempt Purchase Certificate (UZ-4) and an Urban Enterprise Exempt Purchase Certificate (UZ-5). These certificates may be reproduced and must be presented when tax exempt purchases are made. The purchases should be tracked on the "Exempt Sales Tax

Tracking Form" as mentioned previously. Each year, pending Recertification approval, you will receive updated permits and certificates after you recertify into the program. Refer to the "Urban Enterprise Zone Tax Questions and Answers" booklet and the New Jersey Commerce and Economic Growth Commission's "Summary of Sales Tax Benefits" sheet for details on qualifying purchases.

**Reduced Sales Tax:** Participating retailers are eligible to charge a reduced sales tax (3% rather than 6%) on certain merchandise. Please refer to the "Tax Questions and Answers" booklet and the "Summary of Sales Tax Benefits" for an explanation of qualifying sales. Before any retail business can collect the reduced sales tax, it must complete a New Jersey Division of Revenue UZ-1 form. If you are a retailer and wish to charge the reduced sales tax, make sure you complete a UZ-1 form and return it with your Certification Application to your local coordinator. The Division of Revenue will send you a Sales Tax Certificate of Authority for reduced sale collections (UZ-2). **Do not charge the reduced sales tax until you have received this certificate!**

**Employee Tax Credit:** Participating businesses that are not warehousing or retail sales oriented may be eligible for the employee tax credit. It is available to corporations subject to the Corporation Business Tax which hire certain new employees at the zone location after they have been certified into the program. The corporation may claim either a \$1,500 or \$500 credit for each new employee, provided certain employment criteria are met. Refer to the "Urban Enterprise Zone Tax Questions and Answers" booklet for details on the credit, or speak to your coordinator. To claim the credit, an employer must file a completed Form 300 (formerly Schedule U) with the New Jersey Corporation Business Tax Return (CBT-100). The credit is claimed on page one (1) of the return. Form 300 can be obtained through Taxpayer Information at 609-588-2200. The Division of Taxation also has a "Tax-Fax" Line. Dial 609-826-4500 from your fax telephone and follow instructions.

**Unemployment Insurance Award:** Participating businesses that hire new employees meeting one or more of the characteristics that apply to the "25% Employment Factor" (explained earlier), and have a positive unemployment insurance rate, are eligible to apply for an unemployment insurance award. The employees must earn less than \$4,500 per quarter. Every March, the Department of Labor will send an application to all businesses that reported hiring employees meeting the necessary characteristics. The Department of Labor will verify the information and if the criteria are met, will authorize payment of the award. If you have any questions on the rebate, you may call the Department of Labor at 609-292-2327.