



# TAX ALERT

NEW JERSEY TAX LAW CHANGES —  
COMMON INTEREST REALTY ASSOCIATION EDITION

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Governor Corzine recently signed legislation designed to close the projected budget shortfall. While the increase in the sales tax rate to seven percent has been widely reported, there are a number of “sleeper” provisions which impact Common Interest Realty Associations and cooperatives. ***This alert outlines some changes that should be kept in consideration during the 2007 budgeting process.***

## Sales Tax

Effective July 15, 2006, the overall sales tax rate increases from 6 percent to 7 percent. In addition, effective October 1, 2006, a number of services, which were previously not subject to sales tax, will become taxable. Some of these newly taxable services include amounts paid for:

- ◆ Flooring and carpet (even if they constitute a capital expenditure)
- ◆ Landscaping improvements and installations (even if they constitute a capital expenditure)
- ◆ Security, security guards and investigative services (external)
- ◆ Separately stated membership fees for health and fitness and/or golf memberships
- ◆ Parking (doesn't include residential or employer provided parking fees)
- ◆ Shipping (even if separately stated on an invoice)

***Generally, the 7 percent tax rate applies to goods delivered or services rendered on or after July 15, 2006, even if payment was made before this date.***

## Corporation Business Tax

Condominium and homeowner associations are usually not subject to the New Jersey Corporation Business Tax (CBT). However, cooperative corporations generally are subject to this tax.

Most cooperative corporations will be impacted by the increase in the minimum CBT tax from \$500 to a variable amount between \$500 and \$2,000. The minimum tax is based on the corporation's gross receipts for the tax period. Taxpayers with gross receipts of less \$100,000 will continue to be subject to the \$500 minimum tax. Both patronage and non patronage receipts are considered in this determination.

The changes outlined in this alert represent a general overview of the new laws. Look for future alerts from W&G as additional details and further clarification of these changes become available.

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***The above information is general in nature and does not include all of the details or exceptions to this new legislation. Please contact your Wilkin & Guttenplan, P.C. advisor to discuss your specific situation.***

*Any U.S. tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.*