

NEW NJ WITHHOLDING REQUIREMENT FOR CONSTRUCTION CONTRACTORS SERVICES EFFECTIVE JANUARY 1, 2007



New laws recently enacted under Chapter 85, P.L. 2006, require all persons and entities, other than governmental entities, homeowners, or tenants, maintaining an office or transacting business in New Jersey and making a payment of compensation or remuneration for services rendered in New Jersey to any unregistered unincorporated contractor must deduct and withhold from the payment a tax equal to 7% (7 percent) of the amount paid, for any contractor who does not provide proof of registration from the New Jersey Division of Revenue.

The Act applies to payments made on or after January 1, 2007. The purpose of the Act is to ensure that the income taxes of resident and nonresident contractors are properly withheld and paid to the State of New Jersey. The unincorporated contractor, from whom the tax is withheld, will be credited with having paid the amount pending with the filing of a New Jersey Gross Income Tax or Partnership Return.

Persons and entities to which the new requirement applies include those that own real estate rental properties or investment properties and contract with unregistered unincorporated contractors for repair and construction services to the buildings not deemed as their principal residences.

The owner or lessor of real property to which construction or repair is being made who is required to deduct and withhold tax from a contractor, will also be liable for the contractor's withholding from a subcontractor, or the subcontractor's withholding from a lower tier subcontractor on that contract.

Failure to withhold when required and make payment to the New Jersey Division of Taxation will result in the imposition of penalties and interest for failure to withhold.

For purposes of this new law:

"Contractor" means a person entering into a contract for services to construct, improve, alter, or repair a building, structure or improvement to real property and includes a subcontractor.

"Unincorporated contractor" means an individual contractor or a contractor organized as a sole proprietorship, a partnership, or any other business form not taxable as a corporation for Federal tax purposes.

"Subcontractor" means a person entering into a contract with a contractor for services to construct, improve, alter, or repair a building, structure, or improvement to real property.



"Governmental entity" means: the State of New Jersey, or any of its agencies, instrumentalities, public authorities, or political subdivisions; the United States of America and any of its agencies and instrumentalities; and the United Nations or any international organization of which the United States of America is a member.

"Homeowner" means an individual who makes a payment to a contractor to construct, improve, alter, or repair a dwelling which the individual owns and in which the individual resides or will reside.

"Tenant" means an individual who makes a payment to a contractor to construct, improve, alter, or repair a dwelling unit which the individual rents or leases and in which the individual resides or will reside.

Withholding is not required for any contractor providing proof of registration with the New Jersey Division of Revenue. A "Business Registration Certificate" (Form BRC), serves as such proof, and should be retained by the person making the payment. A registered contractor may obtain a printable Business Registration Certificate, form BRC, online by visiting the New Jersey Division of Revenue's website www.state.nj.us/treasury/revenue/busform1.htm and clicking on "Obtain a Certificate of Registration."

Unregistered unincorporated contractors with no business tax or employer obligations may register using Form NJ-REG-A instead of Form NJ-REG in order to obtain the Business Registration Certificate with the New Jersey Division of Revenue by going online at www.state.nj.us/treasury/revenue/pdf/forms/rega.pdf. Unregistered contractors operating as a business entity (e.g. LLC) must register using Form NJ-REG, instead of NJ-REG-A.

The tax withheld is remitted to the New Jersey Division of Taxation by completing and filing monthly a new form NJ-500, Monthly Return of Withholding from Unregistered Unincorporated Contractors, which can be obtained from the New Jersey Division of Taxation by going online at www.state.nj.us/treasury/taxation and clicking on the Forms link. The NJ-500 form and tax payment is due on or before the 15th day of the month following the calendar month in which the contractor payment was made. (For example: taxes withheld from contractor payments made in February 2007 would be due to the State of New Jersey by March 15th, 2007.) For payors who are employers already filing and paying New Jersey gross income tax withholding can use their regular Form 927/927W to report and remit the NJ tax withheld from unregistered unincorporated contractors. In either case, at year end a new annual reconciliation of income tax withheld, for Schedule NJ-W-3-UC is completed and filed by February on the subsequent year (i.e. February 2008 for calendar year 2007). The payor must also provide the unregistered unincorporated contractor with Federal form 1099-MISC reporting the amount of payments to the contractor and the amount of tax withheld for the year.

As one of the leading accounting and consulting firms for the construction industry, Cowan, Guteski & Co., P.A., has expertise in all Federal and state tax laws. Our goal is to position your construction company to take advantage of all legitimate strategies to minimize your tax obligation. Contact Bill McNamara, CPA - Director of the Construction Services Group at 732-349-6880 extension 116 or bmcnamara@cowanguteski.com to discuss your particular situation.

[About Cowan, Guteski & Company, P.A.](#)

As a diversified certified public accounting firm, Cowan, Guteski & Co., P.A. is committed to being an active partner in their client's growth by delivering quality, valued-added services. Visit www.cowanguteski.com for more information on the services available to meet the unique needs of the construction industry or [meet us at the Atlantic Builders Convention in Booth 1230](#).

Business Registration and Certification for Individuals Contracting with Public Agencies and for Unincorporated Construction Contractors

OFFICIAL USE ONLY
DLN#:

Ch. 57, P.L. 2004: State law requires all contractors and subcontractors with the State or other public sector entities to provide proof of registration with the Department of Treasury.

Chapter 85, P.L. 2006, defined under N.J.S.A. 54A:7-1.2: You must use this form to comply with the law if you are an unincorporated construction contractor performing services in NJ and need proof of registration from the Division of Revenue.

You may use this form to comply with the above-referenced laws if you are an individual with no business tax or employer obligations with the State of New Jersey and are not yet registered.

Fill out the registration section and certification below and send the completed form to:

NJ Division of Revenue
Client Registration Bureau
PO Box 252
Trenton, NJ 08646-0252

Please note that the registrant's name listed in Section A must be the same as shown in the Certification, Section B. Type, machine print or hand print all information, except your signature. If you have or will have business tax or employer obligations, file form NJ-REG. Call (609) 292-1730 for more information. If you currently are registered, please enter your NJ Taxpayer Identification Number in the space provided below.

SECTION A. REGISTRATION DETAIL	
Social Security Number	
Registrant's Name	
Physical Address: Street, City, State, Zip Do not use P.O Box	
County	
Mailing Address: Street, City, State, Zip	
Contact Information:	
Telephone Number	
E-mail Address	

SECTION B. CERTIFICATION

I _____ hereby certify that I am an individual having no business tax or employer obligations with the State of New Jersey. Further, I certify that any income that I derive from business activities with the State of New Jersey will be reported on my personal income tax return. I understand that pursuant to State law, if I knowingly report inaccurate or misleading information, I may be subject to penalties.

Signed: _____ Date: _____
Signature

Title: _____

NJ-550

(1/07)

STATE OF NEW JERSEY -DIVISION OF TAXATION**Monthly Return of Withholding from Unregistered Unincorporated Contractors
(Required Pursuant to N.J.S.A. 54A:7-1.2 effective January 1, 2007)**

New Jersey Taxpayer ID - - /	Taxpayer Name	Trade Name	
Withholding Month/Year /	Mailing Name		
This return and payment is due by the 15th day of the month following the month of withholding.	Mailing Address (number and street)		
	Mailing City	State	Zip Code

Line 1. Number of Unregistered Unincorporated Contractors Reported _____

Line 2. Gross Amount Paid Subject to Withholding (from Schedule A below) \$ _____ . _____

Line 3. Total Amount Withheld (Multiply Line 2 by .07) \$ _____ . _____

Make Check Payable and State of New Jersey, Gross Income Tax
 Mail Return with Payment to: PO Box 629
 Trenton, NJ 08646-0629

Subject to the penalties of perjury, I hereby certify that this return, to the best of my knowledge and belief, is a true and correct statement.

 Taxpayer Signature Title Date Telephone

SCHEDULE A - Summary of Unregistered Unincorporated Contractors Subject to Withholding (MUST BE COMPLETED)

Unregistered Unincorporated Contractor Social Security Number or FEIN	Contractor Name (Last, First, MI) (Please Print)	Gross Amount Paid		Amount Withheld	
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					
13.					
14.					
15.					
Total Gross Amount Paid Enter total here and on Line 2. Gross Amount Paid Subject to Withholding above.		\$			
Total Amount Withheld Enter total here. Amount must agree with Line 3 Total Amount Withheld, calculated above.				\$	

SEE INSTRUCTIONS ON REVERSE SIDE

Effective January 1, 2007, entities making payments to unregistered unincorporated contractors for work performed in New Jersey are required to deduct and withhold tax from that compensation from any contractor who does not provide proof of registration (a Business Registration Certificate, Form BRC) from the New Jersey Division of Revenue.

The BRC may be obtained by the contractor by going online at: https://www1.state.nj.us/TYTR_BRC/jsp/BRCLoginJsp.jsp

Unregistered unincorporated contractors with no business tax or employer obligations may register using Form NJ-REG-A instead of Form NJ-REG in order to obtain the Business Registration Certificate with the New Jersey Division of Revenue by going online at: http://www.state.nj.us/treasury/revenue/pdf/forms/reg_a.pdf

Individuals who have created and are operating as a business entity (e.g. LLC) and wish to register and obtain a Business Registration Certificate, may not use Form REG-A. They may submit Form NJ-REG online: https://www.state.nj.us/treasury/revenue/dcr/reg/sos_dcrnew01.prod.htm to register in order to obtain a Business Registration Certificate.

NJ-550 Filing and Payment

Filing and payment of amount withheld is required for each calendar month, in which payment is being made to unincorporated contractors not providing proof of registration described above. Form NJ-550 and associated payment, are due on or before the 15th day of the month following the close of the calendar month in which the payment was made.

General Instructions

Withholding Month/Year: Enter reporting month and year of any and all withholdings from payments to unregistered, unincorporated contractors. Example "02/2007" for reporting withholdings made during February 2007.

NJ Taxpayer ID: Enter your NJ Taxpayer Identification Number.

Taxpayer Name: Enter your taxpayer name.

Trade Name: Enter your trade name.

Mailing Name: Enter your mailing name.

Mailing Address: Enter your mailing street address.

Mailing City, State, Zip: Enter your mailing city, state, and zip code.

Instructions for Completing Schedule A - Summary of Unregistered Unincorporated Contractors Subject to Withholding

This section must be completed prior to NJ-550 return completion. Report the Social Security Number or FEIN, Contractor Name, Gross Amount Paid and Amount Withheld (7% required) for each unregistered unincorporated contractor paid during the reporting month. Summarize Gross Amount Paid (before withholding) Amounts and Amounts Withheld. Then complete Lines 1-3 of the NJ-550.

Line Item Instructions

- 1. Number of Unregistered Unincorporated Contractors Reported:** Enter the number of Unincorporated Contractors to whom payments were made during the monthly period which is being reported on this Monthly Return of Withholding from Unregistered Unincorporated Contractors.
- 2. Gross Amount Paid Subject to Withholding:** Enter the gross total amounts paid to unincorporated contractors from Line 1.
- 3. Total Amount Withheld:** Multiply the Gross Amount Paid Subject to Withholding (from Line 2) by .07. Place the resulting amount on Line 3 of this return.

Year End Requirements

Copies of 1099-MISC from payments made to unregistered unincorporated contractors, reporting the New Jersey Gross Income Tax Withheld in Box 16, State Tax Withheld, together with Schedule NJ-W-3-UNC, a reconciliation of income tax withheld, must be mailed to:

State of NJ - Gross income Tax
PO Box 629
Trenton, NJ 08646-0629

in February of the year following the reporting year.

9595

VOID

CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents		OMB No. 1545-0115	
		\$		<div style="font-size: 2em; font-weight: bold; text-align: center;">2006</div>	
		2 Royalties			
		\$		Form 1099-MISC	
		3 Other income		4 Federal income tax withheld	
PAYER'S federal identification number		RECIPIENT'S identification number		5 Fishing boat proceeds	
				6 Medical and health care payments	
RECIPIENT'S name		7 Nonemployee compensation		8 Substitute payments in lieu of dividends or interest	
		\$		\$	
Street address (including apt. no.)		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>		10 Crop insurance proceeds	
				\$	
City, state, and ZIP code		11		12	
Account number (see instructions)		2nd TIN not. <input type="checkbox"/>		13 Excess golden parachute payments	
				14 Gross proceeds paid to an attorney	
15a Section 409A deferrals		15b Section 409A income		16 State tax withheld	
\$		\$		\$	
				17 State/Payer's state no.	
				18 State income	
				\$	

Miscellaneous Income

Copy A For Internal Revenue Service Center File with Form 1096.

For Privacy Act and Paperwork Reduction Act Notice, see the 2006 General Instructions for Forms 1099, 1098, 5498, and W-2G.

Form 1099-MISC

Cat. No. 14425J

Department of the Treasury - Internal Revenue Service

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