



*Special Bulletin*  
September 2006

**NEW JERSEY'S "MANSION TAX" HAS BEEN EXPANDED TO  
INCLUDE 1% FEE ON TRANSFER OF COMMERCIAL REAL ESTATE**

On July 8, 2006 the New Jersey Amendatory Realty Transfer Fee Legislation, P.L.2006, c.33, was signed into law with an effective date of August 1, 2006. This new law expands the law commonly known as the "Mansion Tax" in New Jersey by now also imposing a 1% fee on the buyer of Class 4A "commercial property" when the consideration for such property is more than one million dollars (\$1,000,000). Class 4A "commercial property" is defined as any type of income producing property other than: (i) vacant land, (ii) residential property, (iii) farm property (both regular and qualified), (iv) industrial, and (v) apartments. For example, an office building, a shopping center or even a professional office suite owned by doctors would be considered "commercial property" and may trigger the 1% fee if the consideration is greater than one million dollars (\$1,000,000).

This potential fee must be considered as part of any negotiations in any transaction involving commercial property and you should be aware that even the acquisition of all or part of (or a merger involving) a business entity that owns qualifying commercial property in New Jersey may trigger the 1% fee requirement. For example, if you purchase either all or just the controlling interests in an LLC that owns qualifying commercial property, you will be required to pay the 1% fee.

**Planning Tip:**

Parties to a transaction must carefully examine the tax classification of any real estate involved in the transaction to confirm the classification of the property and to determine whether such property may be exempt from the 1% fee. Please note that exemptions are highly technical and must be carefully considered by all parties to the transfer of real property with advice of competent counsel. The attorneys at Wilentz, Goldman & Spitzer, P.A. are available to further discuss this new 1% real estate fee, its application and the exceptions.

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*Prepared by the law firm of Wilentz, Goldman & Spitzer, P.A.  
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