



# NEWS

## AMERICANS FOR TAX REFORM

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## New Jersey Tax Court Strikes Blow for Taxpayers

*Tax Court ruled that out-of-state companies with no physical presence in New Jersey cannot be forced to pay business tax.*

NEW JERSEY — In a decision handed down today, the state of New Jersey State Tax Court ruled that out-of-state companies with no physical presence in New Jersey cannot be taxed on sales of their licensed goods.

**“This ruling overturns New Jersey’s practice of ‘Taxation without Representation,’”** said Grover Norquist, President of ATR. **“Governor McGreevy and his tax collecting friends are attempting to expand their tax collection power and collect taxes from out-of-state companies.”**

Lanco Inc., which licenses Lane Bryant Inc. to sell trademarked items in its women's clothing stores, challenged New Jersey law that obligated the company to file a tax return under the New Jersey corporate business tax code. In his ruling that struck down the corporate tax code, Tax Judge Peter D. Pizzuto stated that a physical presence is needed to create the "substantial nexus" required by the United States Constitution’s Commerce Clause.

In 1992, the U.S. Supreme Court ruled in *Quill Corp. v. North Dakota* that a State cannot impose a tax on an out-of-state business unless that business has a “substantial nexus” within the taxing state. According to published reports, Judge Pizzuto relied heavily on the Supreme Court decision in his reasoning.

**“The Supreme Court ruling is clear,”** said Norquist. **“States should not be allowed to impose taxes on companies that do not have offices, employees, or real or tangible property located within the state of New Jersey.”**

The integration of the Internet and telecommunications technologies has allowed business to expand their businesses across state lines and interstate business activities are now commonplace. However, these new interstate activities have created confusion about when States are allowed to collect income taxes from out-of-state companies conducting certain activities within their jurisdictions. States have used this confusion to expand their tax collection power and have now subjected businesses to a complex matrix of tax rules.

*Americans for Tax Reform is a non-partisan coalition of taxpayers and taxpayer groups who oppose all tax increases. For more information or to arrange an interview please contact Jonathan Collegio at (202) 785-0266 or by e-mail at [jcollegio@atr.org](mailto:jcollegio@atr.org).*