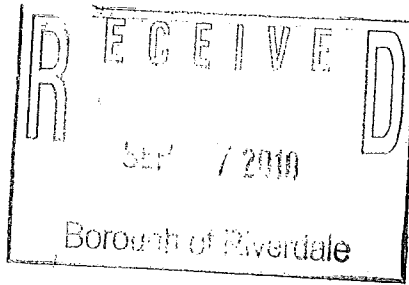


Richard R. Masching, ASA
Vice President-Taxes



Verizon Communications

Post Office Box 152206
Irving, TX 75015-2206
700 Hidden Ridge Drive
MC: HQW03E20
Irving, TX 75038
972-718-0962

August 30, 2010

Honorable William Budesheim
Riverdale Borough Mayor
P. O. Box 6
Riverdale, NJ 07457

Honorable Joseph Destefano
Riverdale Borough Assessor
91 Newark-Pompton Turnpike
Riverdale, NJ 07457

Dear New Jersey Mayor and Assessor:

This letter serves as a courtesy notice to inform your municipality that Verizon New Jersey Inc. ("Verizon") is no longer required to file a Return of Tangible Personal Property Used in Business by Local Exchange Companies Form PT-10 to your municipality, and therefore will not file such a Return for the 2011 Tax Year. In the past, this form was due to be filed by September 1 of the current year for taxes to be paid in the following calendar year. However, in light of the circumstances described below, Verizon is providing you with this courtesy notice to alert you that Verizon will not be filing the form this September.

As I'm sure you are aware, the question of whether any local exchange telephone company is subject to this tax, and must file the Form PT-10, is governed by the Revised Statutes of New Jersey Section 54:4-1. Verizon, as a local exchange telephone company as defined by the statute, must file this form if it provides dial tone and access to 51% of a local telephone exchange. However, Verizon no longer provides dial tone and access to at least 51% of the local telephone exchange(s) within your municipality. As a result, Verizon is no longer required by statute to file this property tax return with your office or pay property taxes in 2011 on any personal property in your municipality.

If you have any questions, please call John Williams at (973) 744-0951 or Terry Goodwin at (972) 718-0958.

Sincerely,

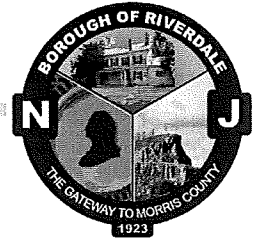
Richard R. Masching
Vice President - Taxes
Verizon New Jersey Inc.

BOROUGH OF RIVERDALE

MORRIS COUNTY, NEW JERSEY

William Budesheim
Mayor

Carol Talerico
Registered Municipal
Clerk



November 8, 2010

Richard R. Masching
Vice President - Taxes
Verizon New Jersey Inc.
700 Hidden Ridge Drive
Irving, Texas 75038

Dear Mr. Masching:

The Borough of Riverdale, Morris County, New Jersey recently received a letter from you advising the borough that Verizon would no longer file a *Return of Tangible Personal Property Used in Business by Local Exchange Companies PT-10* for the 2011 Tax Year. According to you, Verizon is no longer obligated, according to NJSA 54:4-1, based on your corporation allegedly now providing less than 51% of the dial tones and accesses of local telephone exchanges within our community.

You state in your letter that this correspondence is a courtesy notice. Forgive me for being somewhat skeptical, but I do believe we are entitled to a little bit more than a "courtesy notice". I would like a copy of each and every address within the municipality indicating its telephone number and the name of the carrier providing service to that address. I cannot believe that such a report would be difficult to provide to the borough, since you must have had one generated to make this determination not to meet the statutory requirements of filing PT-10.

You must understand that we are very small community and to relinquish such a ratable merely on the say so of the taxpayer, resulting in a \$102,875 revenue loss, would be the height of irresponsibility on the part of the governing body. We will accept this report in hard copy format or electronically in PDF format.

Thank you for your cooperation and alacrity in responding to our request.

Very truly yours,

William Budesheim
Mayor

cc: Joseph DeStefano, Tax Assessor

91 Newark Pompton Turnpike, Riverdale, New Jersey 07457
973-835-4060 fax: 973-835-0783
www.RiverdaleNJ.gov



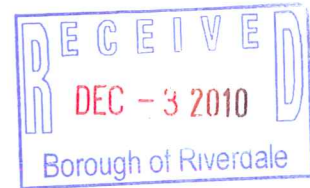
Richard R. Masching, ASA
Vice President-Taxes

Verizon Communications

Post Office Box 152206
Irving, TX 75015-2206
700 Hidden Ridge Drive
MC: HQW03E20
Irving, TX 75038
972-718-0962

VIA FACSIMILE-ORIGINAL VIA FIRST CLASS MAIL

November 29, 2010



Honorable William Budesheim
Riverdale Borough Mayor
91 Newark Pompton Turnpike
Riverdale, NJ 07457

Dear Mr. Budesheim;

We are in receipt of your letter dated November 8, 2010, requesting a report of each and every address within the municipality indicating its telephone number and the name of the carrier providing service to that address.

Pursuant to N.J.S.A. 54:4-2.48, a PT-10 form is required to be filed only if the tangible personal property used in business is subject to taxation. Verizon has determined that it is no longer subject to tax pursuant to N.J.S.A. 54:4-1 as it is no longer a "local exchange telephone" company as defined in that statute. Further, please be advised that N.J.S.A. 54:4-2.48 only provides for an assessor to review and determine the taxable valuations of a taxpayer. It does not authorize the assessor to request information regarding the calculation of the fifty-one percent threshold.

Moreover, there is currently litigation pending before Hon. Gail L. Menyuk, JTC, in the case of Verizon New Jersey, Inc. v. Borough of Hopewell, Docket No. 012215-2009. The outcome of this litigation has the potential to resolve the issues raised concerning the fifty-one percent threshold contained in N.J.S.A. 54:4-1. Our property tax counsel handling that litigation, Susan A. Feeney, Esq., of McCarter & English, LLP, has advised Verizon it is not appropriate for Verizon to furnish any information regarding the fifty-one percent calculation to any municipality until this litigation is resolved.

Please call me if you have any questions. .

Sincerely,

Richard R. Masching
Vice President – Taxes
Verizon New Jersey Inc.

C: Susan A. Feeney, Esq., McCarter & English, LLP

William Budesheim

From: William Budshiem [mayor@riverdalenj.gov]
Sent: Friday, December 03, 2010 3:59 PM
To: 'senpennacchio@njleg.org'
Cc: Carol Talerico
Subject: verizon
Attachments: Verizon PT10

Dear Senator Pennacchio:

Attached you will find correspondence between Verizon and myself regarding the Tangible Personal Property Tax. Verizon has claimed that they are now providing less than 51% of the of the dial tones and accesses to the local telephone exchange, and are, therefore, not required to submit the PT-10 form.

I realize that the application of this law is in the courts and I am not questioning that aspect of it. My concern is that we are required to take their word for it. I have asked for documentation as indicated in my letter to them and have been told during a telephone conversation and in a letter that they are not required to do so. Such an attitude is unconscionable. If I were to tell the IRS that I didn't owe any taxes and I wasn't going to prove it, I would end up in jail.

We want to get this detailed report from them as well as the number of lines we are below the 51%. What if it is only one or two numbers? I would bring in five new lines into the municipal building to protect our interests. This is not the time for a small town like Riverdale to have nearly \$103,000 (our 2% Cap is \$90,000) cut out from under us, especially with no proof. We are not challenging the interpretation of the law, merely want to be assured that it does apply to Riverdale in this instance.

Please guide us in the right direction. I have been in touch with the Division of the Rate Counsel; they have been most solicitous but have not come across this issue before, so they aren't quite sure how we should proceed. I also contacted the League of Municipalities and was given no direction there, either. Our attorney has looked into the statutes but cannot find any provisions indicating to whom such proof must be submitted. The absence of "to whom" I don't believe excuses the necessity to prove to the interested parties, i.e. the towns.

Thank you for your assistance,
Wm. Budesheim
Mayor
Borough of Riverdale



CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

New Jersey Office of the Attorney General

Division of Consumer Affairs
Office of the Director
124 Halsey Street, 7th Floor, Newark NJ



PAULA T. DOW
Attorney General

THOMAS R. CALCAGNI
Acting Director

Mailing Address:
P.O. Box 45027
Newark, NJ 07101
(973) 504-6534

December 13, 2010

The Honorable Joseph Pennacchio
Senator, 26th Legislative District
330 Changebridge Rd., Suite 102
Pine Brook, NJ 07058

Attn: Roseann O'Neal

Re: William Budesheim\Verizon Communications
10-0006

Dear Senator Pennacchio:

Thank you for contacting the Division of Consumer Affairs on behalf of your constituent, William Budesheim, Mayor of the Borough of Riverdale, concerning Riverdale's issues with Verizon.

As this matter deals with Verizon's belief that they do not need to pay property taxes to the Borough of Riverdale in 2011, I have forwarded the correspondence to Acting Director Michael H. Bryan of the Division of Taxation in the Department of the Treasury. I have asked that he have someone from the Division of Taxation contact Mayor Budesheim directly so that it can be decided if Verizon is correct in its determination that they are exempt from paying taxes.

I appreciate your referral. Please feel free to contact me if I can be of further assistance with matters of concern to you and your constituents.

Sincerely,

Thomas R. Calcagni
Acting Director

Ref# 6

BARCODE: 000000122672



NEW JERSEY GENERAL ASSEMBLY

**26TH LEGISLATIVE DISTRICT
MORRIS AND PASSAIC COUNTIES**

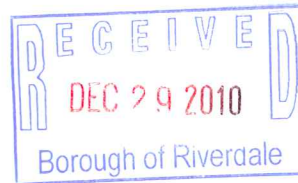
**JOE PENNACCHIO
SENATOR**

330 CHANGEBRIDGE ROAD, SUITE 201
PINE BROOK, NJ 07058
(973) 227-4012
FAX (973) 227-4945

**ALEX DECROCE
ASSEMBLYMAN**

**JAY WEBBER
ASSEMBLYMAN**

760 ROUTE 10 WEST, SUITE 101
WHIPPANY, NJ 07981
(973) 884-6190
FAX (973) 884-6197




December 22, 2010

The Hon. William Budesheim
Borough of Riverdale
91 Newark Pompton Turnpike, PO Box 6
Riverdale, NJ 07457

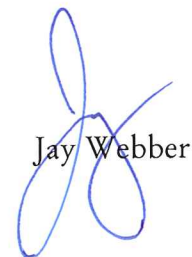
Dear Mayor Budesheim:

We are in receipt of your correspondence concerning the Tangible Personal Property Tax. As was communicated to your office, outreach already has been made to the Division of Taxation and a Verizon representative. Further, we have requested a legal analysis from the Legislature's Office of Legislative Services. We will share with your office the analysis when it is completed.

Very truly yours,


Joe Pennacchio


Alex DeCroce


Jay Webber

Webber, Asm. D.O.

From: Levin, Robert H.
Sent: Thursday, December 23, 2010 2:16 PM
To: Webber, Asm. D.O.
Cc: DeCroce, Asm. D.O.
Subject: Telephone company taxes ATTN: JACK

Dear Jack:

On behalf of Assemblymen Webber and DeCroce, you have requested information on whether the law obliges a company to verify that it is not subject to taxation of its tangible personal property. Apparently, Verizon has informed the Mayor of Riverdale that since it is providing less than 51% of the dial tones in his municipality, it is no longer required to submit the PT-10 form. **We do not have an answer on the administration of the loss of a majority dial tone provider since we do not interpret the law (R.S.54:4-1) to take into consideration annual changes to the status of a pre-1997 local exchange telephone company.**

First, some history of the taxation of telephone company tangible personal property. In 1940 (chapters 4 and 5) public utility tangible personal property was classified and unit values were applied to each type of property to secure a fair and equitable apportionment of taxes. In 1980 (chapters 10 and 11) the State assumed the responsibility for the collection of these taxes and chapter 12 of that year established the "Municipal Purposes Tax Assistance Fund" to distribute the taxes to municipalities pursuant to a formula. Prior to 1966, business personalty was taxed locally as a property tax. In 1966 a Business Personal Property Tax Replacement Program was adopted, consisting of four replacement taxes: the Business Personal Property Tax, the Corporation Business Tax, the Retail Gross Receipts Tax, and the Unincorporated Business Tax. Under P.L.1966, c.136, for tax years 1968 through 1993, in general, personal property used in business, **other than telephone and other public utilities**, was subject to the Business Personal Property Tax instead of the local property tax. The business property of telephone companies (i.e., poles and switching equipment) **continued to be subject to the local property tax.** (The Business Personal Property Tax was repealed in 1993 (P.L.1993, c.174) for any property used after October 1, 1993.)

This is the chronology of significant laws:

- 1940: public utility tangible personal property is classified for the purpose of unit valuation for local property tax purposes
- 1966: business personal property, **other than telephone company personal property**, is subject to Business Personal Property Tax instead of local property tax
- 1980: State assumes responsibility for collecting business personal property taxes and establishes Municipal Purposes Tax Assistance Fund to distribute those collected franchise taxes to municipalities
- 1993: Business personal property tax repealed for any property used after October 1, 1993
- 1997: gross receipts and franchise taxes were eliminated and instead, utilities were subjected to the State corporation business tax. The tangible personal property of those telecommunications companies that were subject to the gross receipts tax as of April 1, 1997, is made a permanent part of the municipal tax base

P.L.1997, c.162 (signed into law on 7/14/1997) was effective for tax year 1998 and thereafter. The law eliminated the gross receipts and franchise taxes as collected by electric, gas, and telecommunications utilities, and instead subjected them to the State's corporation business tax. The purpose of the law was to revise the taxation of gas, electric, and telecommunications public utilities in order to preserve certain local revenues under transitions to more competitive markets in energy and telecommunications. That law amended R.S.54:4-1 to freeze the personalty of the local exchange telephone companies as a permanent part of the property tax base of a municipality. Keep in mind, however, that it only applies to tangible personalty of companies that were subject to a gross receipts tax on April 1, 1997 under chapter 4 of P.L.1940 (repealed by P.L.1997, c.162).

I read R.S. 54:4-1 as follows: "Personal property taxable under this chapter [property tax] shall include, however, . . . and the tangible goods and chattels, exclusive of inventories, used in business of local exchange telephone, telegraph and messenger systems, companies, corporations or associations that were subject to tax as of April 1, 1997 under P.L. 1940, c. 4 (C. 54:30A-16 et seq.) as amended [the gross receipts tax repealed by P.L. 1997, c. 162], and shall not include any tangible personal property whatsoever"

Who is subject to the property tax: those telephone companies that were subject to the repealed gross receipts tax on April 1, 1997.

What is taxed: tangible personal property used by those telephone companies that were formerly subject to the P.L. 1940, c. 4 tax on April 1, 1997.

This same class of telephone companies is referred to again in section 72 of P.L. 1997, c. 62:

54:30A-125 Telecommunication assessment.

72. **Every telephone company that was subject to the provisions of P.L. 1940, c. 4 (C. 54:30A-16 et seq.) as of April 1, 1997**, that makes an advance payment of its applicable gross receipts and franchise tax to the State in the final year of the existence of such tax and treated such advance payment as an expense on its books and records for that year, or its corporate or non-corporate legal successor or assignee whether through any reorganization, sale, bankruptcy, consolidation, merger or other occurrence of any kind without limitation, shall on May 15, 1998, pay a telecommunication assessment. The telecommunication assessment shall be equal to the amount of the advances paid in 1997 pursuant to P.L. 1940, c. 4 (C. 54:30A-16 et seq.) by that remitter. A credit against the liability for the telecommunication assessment set forth in this section shall be taken by the remitter in the amount of the advances it paid in 1997 pursuant to P.L. 1940, c. 4 (C. 54:30A-16 et seq.).

L. 1997, c. 162, s. 72.

According to the Mayor of Riverdale, Verizon appears to be operating on the assumption that for any year that it falls below the threshold of being at least a 51% dial tone provider, its tangible personal property is not subject to taxation. I do not read any language in R.S. 54:4-1 as creating a moving classification, and so it is unnecessary to determine who has the administrative responsibility for determining a telephone company's annual dial tone share in each municipality. I do understand, however, that a similar matter is being litigated between Verizon and Hopewell Borough, and that a decision is expected soon.

54:4-1 Property subject to taxation.

54:4-1. All property real and personal within the jurisdiction of this State not expressly exempted from taxation or expressly excluded from the operation of this chapter shall be subject to taxation annually under this chapter. Such property shall be valued and assessed at the taxable value prescribed by law. Land in agricultural or horticultural use which is being taxed under the "Farmland Assessment Act of 1964," P.L. 1964, c. 48 (C. 54:4-23.1 et seq.), shall be valued and assessed as provided by that act.

An executory contract for the sale of land, under which the vendee is entitled to or does take possession thereof, shall be deemed, for the purpose of this act, a mortgage of said land for the unpaid balance of purchase price. Personal property taxable under this chapter shall include, however, only the machinery, apparatus or equipment of a petroleum refinery that is directly used to manufacture petroleum products from crude oil in any of the series of petroleum refining processes commencing with the introduction of crude oil and ending with refined petroleum products, but shall exclude items of machinery, apparatus or equipment which are located on the grounds of a petroleum refinery but which are not directly used to refine crude oil into petroleum products **and the tangible goods and chattels, exclusive of inventories, used in business of local exchange telephone, telegraph and messenger systems, companies, corporations or associations that were subject to tax as of April 1, 1997 under P.L.1940, c.4 (C.54:30A-16 et seq.) as amended, and shall not include any intangible personal property whatsoever whether or not such personalty is evidenced by a tangible or intangible chose in action except as otherwise provided by R.S.54:4-20. As used in this section, "local exchange telephone company" means a telecommunications carrier providing dial tone and access to 51% of a local telephone exchange.** Property omitted from any assessment may be assessed by the county board of taxation, or otherwise, within such time and in such manner as shall be provided by law. Real property taxable under this chapter means all land and improvements thereon and includes personal property affixed to the real property or an appurtenance thereto, unless:

a. (1) The personal property so affixed can be removed or severed without material injury to the real property;

(2) The personal property so affixed can be removed or severed without material injury to the personal property itself; and

(3) The personal property so affixed is not ordinarily intended to be affixed permanently to real property; or

b. The personal property so affixed is machinery, apparatus, or equipment used or held for use in business and is neither a structure nor machinery, apparatus or equipment the primary purpose of which is to enable a structure to support, shelter, contain, enclose or house persons or property. For purposes of this subsection, real property shall include pipe racks, and piping and electrical wiring up to the point of connections with the machinery, apparatus, or equipment of a production process as defined in this section.

c. (Deleted by amendment, P.L.2004, c.42).

Real property, as defined herein, shall not be construed to affect any transaction or security interest provided for under the provisions of chapter 9 of Title 12A of the New Jersey Statutes (N.J.S.12A:9-101 et seq.). The provisions of this section shall not

be construed to repeal or in any way alter any exemption from, or any exception to, real property taxation or any definition of personal property otherwise provided by statutory law.

The Director of the Division of Taxation in the Department of the Treasury may adopt rules and regulations pursuant to the provisions of the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.) as may be deemed necessary to implement and administer the provisions of this act.

Amended 1942, c.281, s.1; 1943, c.120, s.1; 1945, c.163, s.1; 1946, c.159; 1946, c.242, s.1; 1947, c.413, s.14; 1960, c.51, s.23; 1962, c.238; 1965, c.62, s.1; 1966, c.138, s.1; 1986, c.117, s.1; 1989, c.2, s.4; 1992, c.24, s.3; **1997, c.162, s.60**; 2001, c.438; 2004, c.42, s.13.

Very truly yours,

Robert H. Levin, Esq.
Section Chief, Local Government Section
Office of Legislative Services