

**SALES AND USE TAX REVIEW COMMISSION
RECOMMENDATION PURSUANT TO P.L. 1999, C. 416**

BILL NUMBER:

A-2393

DATE OF INTRODUCTION:

February 6, 2006

SPONSOR:

Assemblyman Munoz

DATE OF RECOMMENDATION:

May 10, 2006

IDENTICAL BILL:

COMMITTEE:

Assembly Health and Senior Services Committee

DESCRIPTION:

The Bill exempts from sales tax certain sales by or to any senior citizens club organized for pleasure, recreation, or other purposes.

ANALYSIS:

Currently, the private organizations qualifying for New Jersey sales tax exemption are quite limited. They include those that are organized and operated exclusively for: religious, charitable, scientific, testing for public safety, literary or educational purposes, or for the prevention of cruelty to children or animals, volunteer fire companies, rescue, ambulance, first aid or emergency companies or squads, veterans' organizations and auxiliaries and associations of parents and teachers. N.J.S.A.54:32B-9(b)

Emergency companies and squads, veterans' groups and the parent-teacher organizations were specifically named exempt by statute. Other groups that apply for exempt status must show the Division that they meet the standards of the Internal Revenue Code, section 501(c)(3) by supplying the Division with an Internal Revenue Service determination letter stating the same.

This Bill proposes to add to the list of those that qualify under N.J.S.A. 54:32B-9(b) "club[s], limited in membership to persons 60 years of age or older, that is organized for pleasure, recreation of other non-profitable purposes". This type of group is generally categorized within the Internal Revenue Code as a 501(c)(7) organization.

This proposed category is quite broad and vaguely defined as written. Currently, those organizations that qualify for exemption are groups having purposes that lessen the burden of the State and the public at large. Senior organizations are one category in an expansive list of those non-profit groups that do not qualify for exemption. Non-qualifying categories include civic, fraternal, professional, trade, and labor unions among many others. No compelling reason has been brought before the Commission to justify the inclusion for senior citizens groups over all others.

It is also noted that the revenue loss to the State that may result in passage of this proposal could be quite expansive.

RECOMMENDATION:

The Commission does not recommend enactment of this Bill.

COMMISSION MEMBERS FOR PROPOSAL: 0

COMMISSION MEMBERS AGAINST PROPOSAL: 8

COMMISSION MEMBERS ABSTAINING: 0