

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

BILL NUMBER:

A-3312

DATE OF INTRODUCTION:

February 6, 2003

SPONSOR:

Assemblyman Kean

DATE OF RECOMMENDATION:

April 8, 2003

IDENTICAL BILL:

COMMITTEE:

Assembly Commerce and Economic Development

DESCRIPTION:

This bill extends a proportion of sales tax revenues into Urban Enterprise Zone (UEZ) assistance funds in those zones designated pursuant to P.L. 1993, c.367 (N.J.S.A. 52:27H-66.6).

ANALYSIS:

Currently, the UEZ Program provides for a percentage of collected reduced rate revenues, within an extended enterprise zone, to be deposited in the enterprise zone assistance fund created pursuant to section 29 of P.L. 1983, c.202 (C.52:27H-88). The schedule provides for three five-year periods and one one-year period of decreasing allocation of revenues to be deposited in the enterprise zone assistance fund. After first depositing ten percent (10%) of gross revenue from the Zones, the schedule provides for the remaining ninety percent (90%) to be allocated and deposited into the enterprise zone assistance fund and the General Fund as follows: all revenues collected to be deposited in the enterprise zone assistance fund during the first five year period; sixty-six and two-thirds percent (66 2/3%) and thirty-three and one-third percent (33 1/3%) respectively during the second five year period; thirty-three and one-third percent (33 1/3%) and sixty-six and two-thirds percent (66 2/3%) respectively during the third five year period; and all of the revenues collected to be deposited in the General Fund for the final one-year period.

This bill alters the existing framework of the original 16-year UEZ designation to be replaced with a 26-year period consisting of two ten-year periods, one five-year period and one one-year period during which the enterprise zone assistance fund would receive all, 2/3, 1/3, and zero, respectively, of the reduced rate sales tax collected within the zone. In other words, although the percentage of sales tax revenues that the General Fund and the enterprise zone assistance fund receives will not change, the amount of money that the zone assistance fund receives will be increased at the expense of the General Fund since the period of designation has been extended.

As a result of the changes in the law that this bill creates, the State's budgetary crisis will be exacerbated since the amount of monies that the State deposits in its General Fund will be decreased. This is especially disheartening since it is not even clear from the Statement attached to the bill why this proposed legislation is considered to be necessary.

The original purpose of the UEZ Program was to help revitalize the state's economically distressed urban areas. This bill appears to be a tool to solve municipal budgetary problems instead of being used to effectuate the UEZ Act's original intended purpose.

In addition, the bill does not provide an economic study to justify the extension of the period of an expanded zone designation. It does not provide any information that would demonstrate that such extension would reverse the economic decline of the affected municipalities or attract businesses or customers to those municipalities. Conversely, it does not demonstrate that if enacted, it would not draw businesses or customers from other depressed municipalities, or if it would do so, then such an effect is economically justified.

The Committee recommends that a review of the UEZ program and its effectiveness is necessary to determine the best course of action in relation to future modifications or expansions of the UEZ program in New Jersey. To date, there has not been a comprehensive review of the UEZ program by an independent body. As a result, substantive data concerning the actual success of the UEZ program has not been provided to the Legislature.

RECOMMENDATION:

The Commission does not recommend enactment of this Bill.

COMMISSION MEMBERS FOR PROPOSAL: 0

COMMISSION MEMBERS AGAINST PROPOSAL: 7

COMMISSION MEMBERS ABSTAINING: 0

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