
SALES AND USE TAX REVIEW COMMISSION
RECOMMENDATION PURSUANT TO N.J.S.A. 54:32B-38 (P.L. 1999, c. 416)

Bill Number: A-256

Date of Introduction: 01/09/18

Date of Consideration: 03/28/18

Sponsor(s): Assemblyman Kean

Co-Sponsor(s):

Identical Bill:

Committee: Assembly Commerce and Economic Development Committee

Description

This bill increases financial assistance to urban enterprise zones (UEZs) over a seven-year period, by dedicating one half of one penny for every dollar of sales tax revenues, as increased annually, for sales of goods and services in UEZs, to the accounts held in the Urban Enterprise Zone Assistance Fund in the name of the respective municipalities.

Analysis

This bill increases financial assistance to urban enterprise zones (UEZs) over a seven-year period, by dedicating (one half of one penny for every dollar of sales tax revenues, as increased annually, for sales of goods and services in UEZs, to the accounts held in the Urban Enterprise Zone Assistance Fund)in the name of the respective municipalities.

The 2018 Sales & Use Tax revenue loss to the general fund would be (\$32.012 million); by 2024 the estimated loss will have grown to (\$146.765 million). The ongoing revenue losses to the general fund would be expected to be lower once the bill phase-in schedule is complete.

Public Comment

The Commission received a public comment via email from someone identifying themselves as Jean Public. Jean Public advised the commission to not recommend A-256 because it increases spending on favored parts of the state, resulting in other parts paying more.

Recommendation

The Commission opposes enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining**: 0

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

Bill Number: A-755

Date of Introduction: 01/09/18

Date of Consideration: 03/28/18

Sponsor(s): Assemblyman Caputo

Co-Sponsor(s):

Identical Bill:

Committee: Assembly Commerce and Economic Development Committee

Description

This bill would authorize the creation of the 33rd urban enterprise zone in Belleville Township.

Analysis

This bill would add Belleville Township (in Essex County) to the list of State urban enterprise zones. The fiscal estimate for FY 2018 is \$3.26 million in sales and use tax revenue loss to the general fund.

Recommendation

By motion the Commission reaffirmed its previous recommendation to oppose enactment of this measure.

The Commission opposes the enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining**: 0

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

Bill Number: S-644

Date of Introduction: 01/09/18

Date of Consideration: 03/28/18

Sponsor(s): Senator Beach

Co-Sponsor(s):

Identical Bill:

Committee: Senate Economic Growth Committee

Description

This bill is referred to as the Atlantic City Urban Enterprise Zone and Property Tax Relief Act and would create an Urban Enterprise Zone in Atlantic City for 10 years.

Analysis

This bill would create an Urban Enterprise Zone in Atlantic City for 10 years. The fiscal estimate for FY 2018 is \$67.724 million in sales and use tax revenue loss to the general fund from the new Atlantic City UEZ. This loss could be expected to grow annually by 2.3% given the sales and use tax growth rate assumption.

Public Comment

The Commission received a comment from Christina Renna, Vice President of the Chamber of Commerce Southern New Jersey (CCSNJ) in the form of an email. She stated that the CCSNJ would like to endorse S-644 because it would help Atlantic City's revival by generating tax revenue and attracting visitors to the city.

The Commission also received a public comment on the bill in the form of an email from someone identifying themselves as Jean Public. Jean Public advised the commission to not recommend S-644 because it increases spending in favored parts of the state, resulting in other parts paying more.

Recommendation

The Commission opposes enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining**: 0

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

Bill Number: A-1320

Date of Introduction: 01/09/18

Date of Consideration: 03/28/18

Sponsor(s): Assembly Members Gusciora, Caputo, Mukherji, Chiaravalloti, Houghtaling, Muoio, and Marin

Co-Sponsor(s):

Identical Bill:

Committee: Assembly Commerce and Economic Development Committee

Description

This bill would extend the duration of urban enterprise zones for 10 additional years; specifies permissible use of funds.

Analysis

This bill would extend existing State Urban Enterprise Zones for a period of 10 years. The extension of all UEZs would result in an sales and use tax revenue loss reduction to the general fund of \$244.708 million annually; over the full 10 years this amount would be a \$2.447 billion in sales and use tax revenue loss.

Public Comment

The Commission received a public comment via email from Mary Ellen Peppard of the New Jersey Food Council supporting this bill. The New Jersey Food Council is a trade association representing food retailers, including supermarkets, independent grocers, convenience stores, and their supplier partners. We appreciate the opportunity to convey our support for this legislation, which extends the designation of Urban Enterprise Zones (UEZs) and requires the UEZ authority to study the UEZ program and issue a report.

Ms Peppard wrote "NJFC was disappointed by the 2016 commencement of the scheduled phase out of the UEZ program, and the subsequent expiration of the program in five major cities. This program has been widely utilized by NJFC members since its inception. Many of our members have been able to establish themselves and create jobs in food deserts due to the tax incentives provided for in the UEZ program. The significant savings from this program have enabled our members to expand existing stores or build new stores in areas where it is difficult to realize a return on investment."

Recommendation

The Commission opposes enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining**: 0

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

Bill Number: A-1971

Date of Introduction: 01/09/18

Date of Consideration: 03/28/18

Sponsor(s): Assemblywoman Sumter

Co-Sponsor(s):

Identical Bill:

Committee: Assembly Commerce and Economic Development Committee

Description

This bill authorizes creation of urban enterprise zones in Garfield, Harrison, Keansburg, and two joint urban enterprise zones, one in Cliffside Park and Fairview, and one in Buena Vista Township and Buena Borough.

Analysis

The State recoups all collections from UEZ municipalities based upon revised budget language. Therefore the general fund would suffer a loss of about \$6.13 million in reduced sales tax and an additional \$6.13 million in estimated purchase exemption, for an annual total of \$12.23 million.

Recommendation

By motion the Commission reaffirmed its previous recommendation to oppose enactment of this measure.

The Commission opposes the enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining:** 0

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

Bill Number: A-2102

Date of Introduction: 01/09/18

Date of Consideration: 03/28/18

Sponsor(s): Assemblyman Green

Co-Sponsor(s):

Identical Bill:

Committee: Assembly Commerce and Economic Development Committee

Description

This bill would authorize designation of joint urban enterprise zone by Urban Enterprise Zone Authority.

Analysis

This bill would authorize the creation of a joint urban enterprise zone in two non-contiguous municipalities. The municipalities eligible for designation under this bill would be situated in two counties. One of the municipalities would have to be situated in a county of the second class with a population of greater than 750,000 according to the latest federal decennial census and have a population of greater than 13,500 and less than 14,000 according to the latest federal decennial census. The other municipality would have to have a population of greater than 21,000 and less than 22,000 and be situated in a county of the second class with a population of over 275,000 and less than 300,000 according to the latest federal decennial census.

Given the parameters of the fiscal analysis; the sales and use tax revenue loss at the present 6.625% rate resulting from this bill would be \$1.48 million on a 12-month basis.

Recommendation

The Commission opposes enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining:** 0

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

Bill Number: A-2851

Date of Introduction: 02/01/18

Date of Consideration: 03/28/18

Sponsor(s): Assemblyman Reed

Co-Sponsor(s):

Identical Bill:

Committee: Assembly Commerce and Economic Development Committee

Description

Extends duration of first five designated UEZs for two additional years; specifies permissible use of UEZ funds; requires DCA Commissioner to assess and issue report on UEZ program.

Analysis

This bill would extend the duration of first five designated UEZs for two additional years; specifies permissible use of UEZ funds; requires DCA Commissioner to assess and issue report on UEZ program. The bill extends the UEZ designation for the former UEZs located in the cities of Bridgeton, Camden, Newark, Plainfield, and Trenton for two additional years as of the effective date of the bill.

The bill establishes a statutory dedication of revenues received from the taxation of retail sales made by qualified businesses from business locations in the UEZs during the two year extension. The bill provides that, after first depositing 10% of the gross revenues received from the reduced taxation of retail sales the remaining 90% of revenue received is to be deposited into the State general fund. In addition, the bill amends current law to limit the use of money deposited into the fund. The bill provides that money deposited to the fund from tax revenues collected by qualified businesses in UEZs in Bridgeton, Camden, Newark, Plainfield, and Trenton as well as 23 UEZs in other locations throughout the State is to be used to assist qualifying municipalities in undertaking economic development projects.

If this bill were enacted immediately it would have at most a five-month fiscal impact on FY 2018; the fifth month amounting to July 2018 sales and use tax collections that would be fully shifted back to the current fiscal year. This five month fiscal impact approximates to an \$11.0 million sales and use tax revenue loss to the general fund. The sales and use tax revenue loss for 2019 would be approximately \$27.1 million. For 2020 a seven month fiscal impact would

be expected, assuming this bill expires at the end of February 2021. The impact would approximate to \$16.2 million in sales and use tax revenue loss to the general fund.

Public Comment

The Commission received a public comment via email from Mary Ellen Peppard of the New Jersey Food Council supporting this bill. The New Jersey Food Council is a trade association representing food retailers, including supermarkets, independent grocers, convenience stores, and their supplier partners. We appreciate the opportunity to convey our support for this legislation, which extends the designation of Urban Enterprise Zones (UEZs) and requires the UEZ authority to study the UEZ program and issue a report.

Ms Peppard wrote “NJFC was disappointed by the 2016 commencement of the scheduled phase out of the UEZ program, and the subsequent expiration of the program in five major cities. This program has been widely utilized by NJFC members since its inception. Many of our members have been able to establish themselves and create jobs in food deserts due to the tax incentives provided for in the UEZ program. The significant savings from this program have enabled our members to expand existing stores or build new stores in areas where it is difficult to realize a return on investment.”

Recommendation

The Commission recommends enactment of this bill. Six members voted to recommend the proposal, Dr. Madhusudhan abstained.

Commission Members **For** Proposal: 6

Commission Members **Against** Proposal: 0

Commission Members **Abstaining**: 1

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

Bill Number: A-3549

Date of Introduction: 03/05/18

Date of Consideration: 03/28/18

Sponsor(s): Assembly Members Pintor, Mukherji, Gusciora, Jones, and Sumter

Co-Sponsor(s):

Identical Bill:

Committee: Assembly Commerce and Economic Development Committee

Description

Extends duration of urban enterprise zones for 10 years; specifies permissible use of funds.

Analysis

This bill would extend existing State Urban Enterprise Zones for a period of 10 years. The extension of all UEZs would result in an sales and use tax revenue loss to the general fund of \$244.708 million annually; over the full 10 years this amount would be a \$2.447 billion in sales and use tax revenue loss.

Recommendation

The Commission recommends enactment of this bill. Six members voted to recommend the proposal, Dr. Madhusudhan abstained.

Commission Members **For** Proposal: 6

Commission Members **Against** Proposal: 0

Commission Members **Abstaining:** 1

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

Bill Number: A-2963

Date of Introduction: 02/08/18

Date of Consideration: 03/28/18

Sponsor(s): Assembly Members Johnson, Mukherji, and Holley

Co-Sponsor(s):

Identical Bill: A-2594, S-1205

Committee: Assembly Commerce and Economic Development Committee

Description

Provides sales and use tax exemption for sales of fuel cell devices and systems and certain tangible personal property powered by fuel cells.

Analysis

This bill would provide an exemption from the Sales and Use Tax for sales of fuel cell devices and systems, and sales of tangible personal property powered by fuel cells. The bill also exempts from the tax sales of natural gas (and utility service) that is used as a fuel in a fuel cell device or system, and sales of electricity generated by a fuel cell.

The tangible personal property must be powered directly and exclusively by a fuel cell device or system that is designed to provide heating or cooling, or electrical or mechanical power to the tangible personal property.

The fiscal impact loss ranges from \$690,000 to \$1.2 million annually.

Recommendation

The Commission opposes enactment of this bill. Commissioner Appleton voted to recommend this proposal.

Commission Members **For** Proposal: 1

Commission Members **Against** Proposal: 6

Commission Members **Abstaining:** 0

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

Bill Number: A-2594

Date of Introduction: 02/01/18

Date of Consideration: 03/28/18

Sponsor(s): Assemblyman Mukherji

Co-Sponsor(s):

Identical Bill: A-2963, S-1205

Committee: Assembly Environment and Solid Waste Committee

Description

Provides sales and use tax exemption for sales of fuel cell devices and systems and certain tangible personal property powered by fuel cells.

Analysis

This bill would provide a sales and use tax exemption for sales of fuel cell devices and systems, and sales of tangible personal property powered by fuel cells. The bill also exempts from the tax sales of natural gas (and utility service) that is used as a fuel in a fuel cell device or system, and sales of electricity generated by a fuel cell.

The tangible personal property must be powered directly and exclusively by a fuel cell device or system that is designed to provide heating or cooling, or electrical or mechanical power to the tangible personal property.

The fiscal impact loss ranges from \$690,000 to \$1.2 million annually.

Recommendation

The Commission opposes enactment of this bill. Commissioner Appleton voted to recommend this proposal.

Commission Members **For** Proposal: 1

Commission Members **Against** Proposal: 6

Commission Members **Abstaining:** 0

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

Bill Number: S-1205

Date of Introduction: 01/25/18

Date of Consideration: 03/28/18

Sponsor(s): Senators Smith and Codey

Co-Sponsor(s):

Identical Bill: A-2963, A-2594

Committee: Senate Environment and Energy Committee

Description

Provides sales and use tax exemption for sales of fuel cell devices and systems and certain tangible personal property powered by fuel cells.

Analysis

This bill would provide a sales and use tax exemption for sales of fuel cell devices and systems, and sales of tangible personal property powered by fuel cells. The bill also exempts from the tax sales of natural gas (and utility service) that is used as a fuel in a fuel cell device or system, and sales of electricity generated by a fuel cell.

The tangible personal property must be powered directly and exclusively by a fuel cell device or system that is designed to provide heating or cooling, or electrical or mechanical power to the tangible personal property.

The fiscal impact loss ranges from \$690,000 to \$1.2 million annually.

Recommendation

The Commission opposes enactment of this bill. Commissioner Appleton voted to recommend this proposal.

Commission Members **For** Proposal: 1

Commission Members **Against** Proposal: 6

Commission Members **Abstaining:** 0

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

Bill Number: S-609

Date of Introduction: 01/09/18

Date of Consideration: 03/28/18

Sponsor(s): Senator Smith

Co-Sponsor(s):

Identical Bill:

Committee: Senate Environment and Energy Committee

Description

Provides sales and use tax exemption for sales of machinery and equipment and sales of natural gas used to generate electricity in certain fuel cell facilities.

Analysis

This bill would exempt receipts from sales of machinery, apparatus, equipment, building materials, or structures that are used directly and primarily to generate electricity, or to generate electricity and produce other forms of useful energy, in a fuel cell facility from the Sales and Use Tax. The bill exempts from the Sales and Use Tax receipts from natural gas and utility services that are used to generate electricity, or to generate electricity and produce other forms of useful energy, in a fuel cell facility.

“Fuel cell facility” means a facility the primary purpose of which is to generate electricity, or to generate electricity and produce other forms of useful energy, directly from hydrogen or hydrocarbon fuel through a non-combustive electrochemical process using a fuel cell device, and which is: owned or operated under contract by a person other than the person that is the end user of such electricity, or such electricity and energy; installed on the end user’s property or on property purchased or leased from the end user by the owner or operator of the facility and such property is contiguous to the end user’s property; placed in service on or after the effective date; and used on a regular basis thereafter to generate electricity, or to generate electricity and produce other forms of useful energy, for the industrial or commercial purposes of the end user.

The annual sales and use tax loss from the maintenance and operation of fuel cells is approximately \$600,000. Additional sales tax revenue loss may occur to the extent that new facilities are constructed. Currently, only one fuel cell facility is being installed in New Jersey a

medium sized 440 kW generation unit in Hillside (Union County). Other than the facility being installed in Hillside, there are no known fuel cell facilities being started in the near future in New Jersey.

Recommendation

The Commission recommends enactment of this bill.

Commission Members **For** Proposal:7

Commission Members **Against** Proposal: 0

Commission Members **Abstaining**: 0

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

Bill Number: S-148

Date of Introduction: 01/09/18

Date of Consideration: 03/28/18

Sponsor(s): Senator Gopal

Co-Sponsor(s):

Identical Bill:

Committee: Senate Environment and Energy Committee

Description

Exempts from sales tax for two years certain highly fuel efficient vehicles and energy efficient appliances.

Analysis

This bill would exempt for two years the first \$40,000 from the sale of a motor vehicle capable of attaining an average fuel economy of at least 40 miles per gallon from the tax imposed under the "Sales and Use Tax Act," P.L.1966, c.30 14 (C.54:32B-1 et seq.).

The bill would also exempt for two years the retail sale of qualified products bearing the federal Energy Star label from the tax imposed under the "Sales and Use Tax Act." The federal Energy Star program is administered by the Environmental Protection Agency in collaboration with the Department of Energy.

Although precise figures are not available, it is anticipated that the loss to the State's general fund would exceed \$33 million for FY 2019 and 2020. As of 2018, New Jersey exempts 28 different "Zero-Emission Vehicles" from the Sales and Use Tax. There are roughly 35 vehicles for model year 2018 that are capable of reaching 40 mpg on the highway (EPA).

Recommendation

By motion the Commission reaffirmed its previous recommendation to oppose enactment of this measure.

The Commission opposes the enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining**: 0

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

Bill Number: A-1465

Date of Introduction: 01/09/18

Date of Consideration: 03/28/18

Sponsor(s): Assemblyman Benson

Co-Sponsor(s):

Identical Bill: S-1023

Committee: Assembly Environment and Solid Waste Committee

Description

Provides a sales and use tax exemption for sales of certain high-efficiency home heating equipment.

Analysis

This bill would provide a sales and use tax exemption for the sales of certain high-efficiency home heating equipment. The furnace, boiler, and/or programmable thermostat must bear the Energy Star label. Energy Star label means the label granted to certain products that meet the energy efficiency criteria of the federal Environmental Protection Agency Energy Star program administered in collaboration with the federal Department of Energy.

The New Jersey sales and use tax loss to the State's general fund in 2018 could be approximately \$2.27 million.

Recommendation

By motion the Commission reaffirmed its previous recommendation to oppose enactment of this measure.

The Commission opposes the enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining**: 0

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

Bill Number: S-1023

Date of Introduction: 01/22/18

Date of Consideration: 03/28/18

Sponsor(s): Senator Bucco

Co-Sponsor(s):

Identical Bill: A-1465

Committee: Senate Environment and Energy Committee

Description

Provides a sales and use tax exemption for sales of certain high-efficiency home heating equipment.

Analysis

This bill would provide a sales and use tax exemption for the sales of certain high-efficiency home heating equipment. The furnace, boiler, and/or programmable thermostat must bear the Energy Star label. Energy Star label means the label granted to certain products that meet the energy efficiency criteria of the federal Environmental Protection Agency Energy Star program administered in collaboration with the federal Department of Energy.

The New Jersey sales and use tax loss to the State's general fund in 2018 could be approximately \$2.27 million.

Recommendation

By motion the Commission reaffirmed its previous recommendation to oppose enactment of this measure.

The Commission opposes the enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining:** 0

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

Bill Number: A-531

Date of Introduction: 01/09/18

Date of Consideration: 03/28/18

Sponsor(s): Assemblyman Mazzeo

Co-Sponsor(s):

Identical Bill:

Committee: Assembly Environment and Solid Waste Committee

Description

Provides sales and use tax exemption for compressed natural gas used to fuel certain bus operation.

Analysis

This bill would provide a sales and use tax exemption for compressed natural gas used to fuel certain bus operations. This bill would take effect immediately and apply to receipts from sales of motor fuel made on or after the first day of the second month next following the date of enactment. There would be a small, but immeasurable loss suffered by the State's general fund if this measure became law.

Recommendation

By motion the Commission reaffirmed its previous recommendation to oppose enactment of this measure.

The Commission opposes the enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining:** 0

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

Bill Number: A-992

Date of Introduction: 01/09/18

Date of Consideration: 03/28/18

Sponsor(s): Assemblyman Rooney

Co-Sponsor(s):

Identical Bill:

Committee: Assembly Higher Education Committee

Description

Provides sales and use tax exemption for sales of natural gas, and charges for transportation or transmission of natural gas, to public colleges and universities.

Analysis

This bill would exempt receipts from sales of natural gas and charges for the transportation or transmission of natural gas intended for a college or university for that college's or university's own use or consumption to the tax imposed under the "Sales and Use Tax Act," P.L. 1966, c. 30 (C. 54:32B-1 et seq.) under certain conditions.

Although precise data is not available, there would be a significant loss in revenue to the State's general fund if this bill is enacted. As energy costs constitute a substantial portion of overhead costs for all colleges and universities, it is anticipated that the loss of revenue by the exemption of sales and use tax for energy would certainly create a tangible loss of revenue.

Recommendation

By motion the Commission reaffirmed its previous recommendation to oppose enactment of this measure.

The Commission opposes the enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining**: 0

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

Bill Number: A-1032

Date of Introduction: 01/09/18

Date of Consideration: 03/28/18

Sponsor(s): Assembly Members Johnson, Eustace, Kennedy, Benson, DeAngelo, and Vainieri
Co-Sponsor(s):

Identical Bill:

Committee: Assembly Environment and Solid Waste Committee

Description

Provides sales and use tax exemption for sales of plug-in hybrid vehicles.

Analysis

This bill would provide Sales and Use Tax exemption for sales of plug-in hybrid vehicles. "Plug-in hybrid vehicle" means a motor vehicle, fueled in part by an internal combustion engine, which also: (1) allows power to be delivered to the drive wheels by a battery-powered electric motor or other mechanical device; (2) has a battery or other mechanical storage device that can be recharged by connecting the vehicle to an electric power source; and (3) has the ability to travel at least five miles powered substantially by electricity or other form of mechanical power other than an internal combustion engine.

The fiscal loss is estimated to be between \$2.3 million to approximately \$7.7 million per year. This bill also has a secondary fiscal impact. If more residents purchase hybrid cars in the near future, it would reduce consumers' purchase of gasoline and affect the revenue of Sales Tax, Gasoline Tax, Petroleum Products Gross Receipts, and Motor Fuels Tax (MFT).

Recommendation

The Commission opposes enactment of this bill. Commissioner Appleton and Dr. Madhusudhan abstained.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 5

Commission Members **Abstaining:** 2

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

Bill Number: A-1752

Date of Introduction: 01/09/18

Date of Consideration: 03/28/18

Sponsor(s): Assemblywomen Quijano and Vainieri

Co-Sponsor(s):

Identical Bill:

Committee: Assembly Housing and Community Development Committee

Description

Exempts from sales and use taxation purchase of fire sprinkler systems installed in residential new construction.

Analysis

This bill would exempt from Sales and Use Taxation purchase of fire sprinkler systems installed in residential new construction. "Fire sprinkler system" means an automatic fire suppression system that includes an automatic water sprinkler system or a standpipe system and related system components, including detection. "Qualified residential property" means: a dwelling house; a condominium unit under the form of real property ownership provided for under the "Condominium Act," P.L.1969, c.257 (C.46:8B-1 et seq.)

The fiscal impact would be a loss of \$1.06 million - \$1.08 million per year over the next three years.

Public Comment

The Commission received a public comment via email from someone identifying themselves as Jean Public. Jean Public advised the commission to not recommend this bill, because there is no reason it shouldn't be taxable. Jean felt exempting fire sprinkler systems would raise taxes on residents, and that taxes are already too high.

Recommendation

The Commission opposes enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining**: 0

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

Bill Number: S-1017

Date of Introduction: 01/22/18

Date of Consideration: 03/28/18

Sponsor(s): Senator Bucco

Co-Sponsor(s):

Identical Bill: A-3661

Committee: Senate Law and Public Safety Committee

Description

Exempts from sales and use tax sales of carbon monoxide detectors and any device or equipment sold for residential use to detect, warn of, abate, or extinguish fires.

Analysis

Receipts from sales of any smoke alarm, smoke detector, fire alarm, heat-activated sprinkler system, fire extinguisher, or other device or equipment sold for residential use to detect, warn of, abate, or extinguish fires, or to detect or warn of the presence of carbon monoxide, are exempt from the tax imposed under the "Sales and Use Tax Act", P.L.1966, c.30 (C.54:32B-1 et seq.), provided that the device or equipment complies with the most recent Underwriters Laboratories standards or equivalent at the time that the sale is made.

Sales of smoke and CO detectors for existing homes will total \$11.195 million to \$17.780 million annually, based on IHS forecasts. That data indicates 131,700 existing home sales for 2018 and an average expenditure of between \$50 and \$100 for smoke detectors and an additional \$35 for CO detectors. Applying the State sales tax of 6.625% to these figures yields a total projected revenue loss for both products of approximately \$741,000 to \$1.178 million. As a result of this bill, the estimated sales tax loss could be between \$873,000 and \$1.443 million.

This methodology does not include losses from revenue from residential fire sprinkler systems and fire extinguishers. The precise magnitude of the additional loss is unknown, but it is possible that the total loss could double or more than double the projected cost of the bill.

Recommendation

By motion the Commission reaffirmed its previous recommendation to oppose enactment of this measure.

The Commission opposes the enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining**: 0

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

Bill Number: A-3661

Date of Introduction: 03/13/18

Date of Consideration: 03/28/18

Sponsor(s): Assemblywomen Lopez and Murphy

Co-Sponsor(s):

Identical Bill: S-1017

Committee: Senate Law and Public Safety Committee

Description

Exempts from sales and use tax sales of carbon monoxide detectors and any device or equipment sold for residential use to detect, warn of, abate, or extinguish fires.

Analysis

Receipts from sales of any smoke alarm, smoke detector, fire alarm, heat-activated sprinkler system, fire extinguisher, or other device or equipment sold for residential use to detect, warn of, abate, or extinguish fires, or to detect or warn of the presence of carbon monoxide, are exempt from the tax imposed under the "Sales and Use Tax Act", P.L.1966, c.30 (C.54:32B-1 et seq.), provided that the device or equipment complies with the most recent Underwriters Laboratories standards or equivalent at the time that the sale is made.

Sales of smoke and CO detectors for existing homes will total \$11.195 million to \$17.780 million annually, based on IHS forecasts. That data indicates 131,700 existing home sales for 2018 and an average expenditure of between \$50 and \$100 for smoke detectors and an additional \$35 for CO detectors. Applying the State Sales Tax of 6.625% to these figures yields a total projected revenue loss for both products of approximately \$741,000 to \$1.178 million. As a result of this bill, the estimated Sales Tax loss could be between \$873,000 and \$1.443 million.

This methodology does not include losses from revenue from residential fire sprinkler systems and fire extinguishers. The precise magnitude of the additional loss is unknown, but it is possible that the total loss could double or more than double the projected cost of the bill.

Recommendation

By motion the Commission reaffirmed its previous recommendation to oppose enactment of this measure.

The Commission opposes the enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining**: 0

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

Bill Number: S-1026

Date of Introduction: 01/22/18

Date of Consideration: 03/28/18

Sponsor(s): Senator Bucco

Co-Sponsor(s):

Identical Bill:

Committee: Senate Law and Public Safety Committee

Description

Exempts sale of recreational safety helmets from sales and use tax.

Analysis

This bill would exempt the sale of recreational safety helmets from Sales and Use Tax. "Recreational safety helmet" means any helmet or other protective headgear that (1) meets the standards prescribed by or pursuant to the laws requiring operators of bicycles, motorcycles, motorized bicycles, roller skates, and skateboards to wear such helmets or headgear; (2) is designed by the manufacturer to be worn while engaged in the activity of downhill skiing or the operation of a toboggan, sled, snowboard, or similar means of transport over snow-covered terrain; and (3) is designed by the manufacturer to be worn while engaged in a sport activity including, but not limited to, football, hockey and baseball. "Recreational safety helmet" also shall include equestrian protective helmets.

Precise figures are not available; however, it is estimated that the loss of revenue to the State would be approximately \$2.9 million annually.

Recommendation

By motion the Commission reaffirmed its previous recommendation to oppose enactment of this measure.

The Commission opposes the enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining:** 0

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

Bill Number: A-1753

Date of Introduction: 01/09/18

Date of Consideration: 03/28/18

Sponsor(s): Assembly Members Quijano, Vainieri, Mukherji, and Giblin

Co-Sponsor(s):

Identical Bill: S-749

Committee: Assembly Tourism, Gaming and the Arts Committee

Description

Imposes State sales and use tax and hotel and motel occupancy fee on transient accommodations; authorizes various municipal taxes and fees on transient accommodations.

Analysis

This bill would Impose State Sales and Use Tax and Hotel and Motel Occupancy Fee on transient accommodations; authorizes various municipal taxes and fees on transient accommodations. “Transient accommodation” means a room, group of rooms, or other living or sleeping space for the lodging of occupants, including but not limited to residences or buildings used as residences. “Transient accommodation” does not include: a hotel or hotel room; a room, group of rooms, or other living or sleeping space used as a place of assembly; a dormitory or other similar residential facility of an elementary or secondary school or a college or university; a hospital, nursing home, or other similar residential facility of a provider of services for the care, support and treatment of individuals that is licensed by the State; a campsite, cabin, lean-to, or other similar residential facility of a campground or an adult or youth camp; or a furnished or unfurnished private residential property, including but not limited to condominiums, bungalows, single-family homes and similar living units, where no maid service, room service, linen changing service or other common hotel services are made available by the lessor and where the keys to the furnished or unfurnished private residential property, whether a physical key, access to a keyless locking mechanism, or other means of physical ingress to the furnished or unfurnished private residential property, are provided to the lessee at the location of an offsite real estate broker licensed by the New Jersey Real Estate Commission pursuant to R.S.45:15-1 et seq.

At present, the two largest transient space marketplaces are Airbnb and HomeAway. According to VRM Intel, Airbnb processed an estimated \$14B-\$16B in worldwide vacation rental bookings

in 2016, while HomeAway processed \$12.3B. Using data from Beyond Pricing, VRM Intel also reports that 16% of Airbnb's listings and 33% of HomeAway's listings were in the United States. Multiplying the total booking values (using the middle value of \$15B for Airbnb) by the US percentages for each company gives estimates of \$2.0B and \$5.0B in US bookings for Airbnb and HomeAway, respectively. (Note that with this method, we are not accounting for the possibility that US bookings are either more or less expensive than the global average of bookings for these companies.)

According to the Bureau of Economic Analysis, New Jersey has 3.1% of the US gross domestic product. Multiplying the estimated US booking values by 3.1% gives estimated New Jersey booking values of \$61.0M and \$153.5M for Airbnb and HomeAway, respectively. Applying both the 6.625% Sales Tax and the 5% Hotel and Motel Occupancy Fee to these New Jersey booking values gives estimated tax revenue of \$7.1M for Airbnb, and \$17.8M for HomeAway respectively. Adding these together gives an estimated tax revenue of \$24.9 million. Note that because we only include the two largest transient space marketplaces, actual tax collections which would also include bookings made through smaller companies — may be greater than estimated here.

Recommendation

The Commission felt this bill treated online transactions differently than other transactions. The Commission reserved the right to visit the bill if all transient accommodation rentals are treated the same.

The Commission opposes enactment of this bill in its current form. Dr. Madhusudhan abstained.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 6

Commission Members **Abstaining**: 1

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

Bill Number: S-749

Date of Introduction: 01/09/18

Date of Consideration: 03/28/18

Sponsor(s): Senators Diegnan and Sarlo

Co-Sponsor(s):

Identical Bill: A-1753

Committee: Senate Commerce Committee

Description

Imposes State sales and use tax and hotel and motel occupancy fee on transient accommodations; authorizes various municipal taxes and fees on transient accommodations.

Analysis

This bill would Impose State Sales and Use Tax and Hotel and Motel Occupancy Fee on transient accommodations; authorizes various municipal taxes and fees on transient accommodations. “Transient accommodation” means a room, group of rooms, or other living or sleeping space for the lodging of occupants, including but not limited to residences or buildings used as residences. “Transient accommodation” does not include: a hotel or hotel room; a room, group of rooms, or other living or sleeping space used as a place of assembly; a dormitory or other similar residential facility of an elementary or secondary school or a college or university; a hospital, nursing home, or other similar residential facility of a provider of services for the care, support and treatment of individuals that is licensed by the State; a campsite, cabin, lean-to, or other similar residential facility of a campground or an adult or youth camp; or a furnished or unfurnished private residential property, including but not limited to condominiums, bungalows, single-family homes and similar living units, where no maid service, room service, linen changing service or other common hotel services are made available by the lessor and where the keys to the furnished or unfurnished private residential property, whether a physical key, access to a keyless locking mechanism, or other means of physical ingress to the furnished or unfurnished private residential property, are provided to the lessee at the location of an offsite real estate broker licensed by the New Jersey Real Estate Commission pursuant to R.S.45:15-1 et seq.

At present, the two largest transient space marketplaces are Airbnb and HomeAway. According to VRM Intel, Airbnb processed an estimated \$14B-\$16B in worldwide vacation rental bookings

in 2016, while HomeAway processed \$12.3B. Using data from Beyond Pricing, VRM Intel also reports that 16% of Airbnb's listings and 33% of HomeAway's listings were in the United States. Multiplying the total booking values (using the middle value of \$15B for Airbnb) by the US percentages for each company gives estimates of \$2.0B and \$5.0B in US bookings for Airbnb and HomeAway, respectively. (Note that with this method, we are not accounting for the possibility that US bookings are either more or less expensive than the global average of bookings for these companies.)

According to the Bureau of Economic Analysis, New Jersey has 3.1% of the US gross domestic product. Multiplying the estimated US booking values by 3.1% gives estimated New Jersey booking values of \$61.0M and \$153.5M for Airbnb and HomeAway, respectively. Applying both the 6.625% Sales Tax and the 5% Hotel and Motel Occupancy Fee to these New Jersey booking values gives estimated tax revenue of \$7.1M for Airbnb, and \$17.8M for HomeAway respectively. Adding these together gives an estimated tax revenue of \$24.9 million. Note that because we only include the two largest transient space marketplaces, actual tax collections which would also include bookings made through smaller companies — may be greater than estimated here.

Recommendation

The Commission felt this bill treated online transactions differently than other transactions. The Commission reserved the right to visit the bill if all transient accommodation rentals are treated the same.

The Commission opposes enactment of this bill in its current form. Dr. Madhusudhan abstained.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 6

Commission Members **Abstaining**: 1

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

Bill Number: S-184

Date of Introduction: 01/09/18

Date of Consideration: 03/28/18

Sponsor(s): Senator Brown

Co-Sponsor(s):

Identical Bill:

Committee: Senate State Government, Wagering, Tourism Historic Preservation Committee

Description

Provides temporary exemption from sales and use tax for rental of certain hotel rooms.

Analysis

This bill would provide temporary exemption from Sales and Use Tax for the rental of certain hotel rooms. A room would be exempt if it, (1) is taxable under a municipal ordinance authorized by the law that authorizes the Atlantic City "luxury tax"; applies to an occupancy that occurs during the evening of a Monday, Tuesday, Wednesday, or Thursday of a week that falls entirely within the temporary exemption period; and (3) applies to an occupancy that is directly and primarily related to the occupant's participation in, or attendance at, a show, concert, contest, or an event or exhibition at a convention center project.

Exact figures cannot be calculated. However this measure would likely result in State general fund losses of less than \$1 million annually for the temporary exemption period as set forth in the measure.

Recommendation

By motion the Commission reaffirmed its previous recommendation to oppose enactment of this measure.

The Commission opposes the enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining**: 0

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

Bill Number: A-355

Date of Introduction: 01/09/18

Date of Consideration: 03/28/18

Sponsor(s): Assemblywoman Murphy

Co-Sponsor(s):

Identical Bill: S-1099

Committee: Assembly Consumer Affairs Committee

Description

Establishes annual sales tax holiday during first weekend of August for certain retail sales of computers, school computer supplies, school supplies, school art supplies, and school instructional materials.

Analysis

This bill would establish an annual “back-to-school” sales tax holiday during first full weekend of August for the sales of computers and certain school supplies and instructional materials. The exemption provides for a sales price cap of less than \$1,000 and would be available to non-business purchasers.

The fiscal impact of school supplies is estimated to be a loss of approximately \$35.7 million. The fiscal impact of tax-exempt computers could be significant because New Jersey garnered \$8.689 million in Sales Tax due to computer and electronics purchases in August and \$9.643 million in September of 2017, respectively.

The total impact loss might be \$54 million if consumers decide to purchase supplies and computers only during the sales tax holiday period. The bill might entice retailers to increase prices during the holiday sales tax period because of increased demand, which would limit the tax savings for consumers.

Recommendation

The Commission opposes enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining**: 0

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

Bill Number: S-1099

Date of Introduction: 01/25/18

Date of Consideration: 03/28/18

Sponsor(s): Senator Madden

Co-Sponsor(s):

Identical Bill: A-355

Committee: Senate Education Committee

Description

Establishes annual sales tax holiday during first weekend of August for certain retail sales of computers, school computer supplies, school supplies, school art supplies, and school instructional materials.

Analysis

This bill would establish an annual "back-to-school" Sales Tax holiday during first full weekend of August for the sales of computers and certain school supplies and instructional materials. The exemption provides for a sales price cap of less than \$1,000 and would be available to non-business purchasers.

The fiscal impact of school supplies is estimated to be a loss of approximately \$35.7 million. The fiscal impact of tax-exempt computers could be significant because New Jersey garnered \$8.689 million in Sales Tax due to computer and electronics purchases in August and \$9.643 million in September of 2017, respectively.

The total impact loss might be \$54 million if consumers decide to purchase supplies and computers only during the Sales Tax holiday period. The bill might entice retailers to increase prices during the holiday Sales Tax period because of increased demand, which would limit the tax savings for consumers.

Recommendation

The Commission opposes enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining**: 0

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

Bill Number: A-554

Date of Introduction: 01/09/18

Date of Consideration: 03/28/18

Sponsor(s): Assembly Members Moriarty, Greenwald, Lampitt, and Peterson

Co-Sponsor(s):

Identical Bill: S-1750

Committee: Assembly Budget Committee

Description

Establishes annual sales tax holiday for certain sales of personal computers and certain sales of school supplies and equipment during first full weekend of August.

Analysis

This bill would establish an annual “back-to-school” Sales Tax holiday during first full weekend of August for the sales of computers and certain school supplies and instructional materials. The exemption provides for a sales price cap of less than \$1,000 and would be available to non-business purchasers.

The fiscal impact of school supplies is estimated to be a loss of approximately \$35.7 million. The fiscal impact of tax-exempt computers could be significant because New Jersey garnered \$8.689 million in Sales Tax due to computer and electronics purchases in August and \$9.643 million in September of 2017, respectively.

The total impact loss might be \$54 million if consumers decide to purchase supplies and computers only during the Sales Tax holiday period. The bill might entice retailers to increase prices during the holiday Sales Tax period because of increased demand, which would limit the tax savings for consumers.

Recommendation

By motion the Commission reaffirmed its previous recommendation to oppose enactment of this measure.

The Commission opposes the enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining**: 0

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

Bill Number: S-1750

Date of Introduction: 02/05/18

Date of Consideration: 03/28/18

Sponsor(s): Senator Beach

Co-Sponsor(s):

Identical Bill: A-554

Committee: Senate Budget and Appropriations Committee

Description

Establishes annual sales tax holiday for certain sales of personal computers and certain sales of school supplies and equipment during first full weekend of August.

Analysis

This bill would establish an annual “back-to-school” Sales Tax holiday during first full weekend of August for the sales of computers and certain school supplies and instructional materials. The exemption provides for a sales price cap of less than \$1,000 and would be available to non-business purchasers.

The fiscal impact of school supplies is estimated to be a loss of approximately \$35.7 million. The fiscal impact of tax-exempt computers could be significant because New Jersey garnered \$8.689 million in Sales Tax due to computer and electronics purchases in August and \$9.643 million in September of 2017, respectively.

The total impact loss might be \$54 million if consumers decide to purchase supplies and computers only during the Sales Tax holiday period. The bill might entice retailers to increase prices during the holiday Sales Tax period because of increased demand, which would limit the tax savings for consumers.

Recommendation

By motion the Commission reaffirmed its previous recommendation to oppose enactment of this measure.

The Commission opposes the enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining**: 0

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

Bill Number: S-515

Date of Introduction: 01/09/18

Date of Consideration: 03/28/18

Sponsor(s): Senators Kean and Sarlo

Co-Sponsor(s):

Identical Bill:

Committee: Senate Economic Growth Committee

Description

Exempts sales of certain materials used in industrial sand casting processes from sales and use tax.

Analysis

This bill would exempt receipts from sales of sands, binders, washes, and other similar materials used to create a mold or core in an industrial sand casting process, if those materials are an integral or essential part of the processing operation from the tax imposed by the "Sales and Use 13 Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.).

Given the parameters of the fiscal analysis; the sales and use tax exemptions or tax revenue loss at the present 6.625% rate resulting from this bill would range from \$266,600 - \$288,200 annually.

Recommendation

The Commission recommends enactment of this bill.

Commission Members **For** Proposal: 7

Commission Members **Against** Proposal: 0

Commission Members **Abstaining:** 0

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

Bill Number: S-1022

Date of Introduction: 01/22/18

Date of Consideration: 03/28/18

Sponsor(s): Senator Bucco

Co-Sponsor(s):

Identical Bill:

Committee: Senate Budget and Appropriations Committee

Description

Provides sales and use tax exemption for sales of services performed to certain prewritten computer software delivered electronically.

Analysis

This bill would provide Sales and Use Tax exemption for services performed to certain prewritten computer software, if the software is delivered electronically and is used directly and exclusively in the conduct of the purchaser's business, trade, or occupation.

As set forth in Governor Chris Christie's proposed Fiscal Year 2012 Budget (*A Commitment To Rebuilding New Jersey*), this tax policy change results in a loss of \$5 million in each full fiscal year from the elimination of sales and use tax imposition on the installation and support of electronically delivered business software.

Recommendation

The Commission recommends enactment of this bill. Six members voted to recommend the proposal, Dr. Madhusudhan abstained and Commissioner Finkle was not present for this vote.

Commission Members **For** Proposal: 5

Commission Members **Against** Proposal: 0

Commission Members **Abstaining**: 1

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

Bill Number: S-1027

Date of Introduction: 01/22/18

Date of Consideration: 03/28/18

Sponsor(s): Senator Bucco

Co-Sponsor(s):

Identical Bill:

Committee: Senate Commerce Committee

Description

Removes investigation and security services from imposition of sales and use tax.

Analysis

This bill would remove investigation and security services from subjectivity to Sales and Use Tax.

Since the implementation clause in the bill would require that taxation of these services cease immediately, the expected loss of revenue would be approximately \$41.8 million for the balance of this fiscal year. This loss would be ongoing and can be expected to be \$100 million annually.

Recommendation

By motion the Commission reaffirmed its previous recommendation to oppose enactment of this measure.

The Commission opposes the enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining**: 0

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

Bill Number: A-2465

Date of Introduction: 02/01/18

Date of Consideration: 03/28/18

Sponsor(s): Assemblyman DeAngelo

Co-Sponsor(s):

Identical Bill:

Committee: Assembly State and Local Government Committee

Description

Revises sales and use tax treatment of garbage removal services.

Analysis

The bill would maintain the current tax treatment of garbage removal services performed on a regular contractual basis. The bill provides an exemption from tax for garbage removal services performed on a regular contractual basis for a term not less than 30 days. In addition, the bill clarifies the application of an existing exemption for the transportation of persons and property. The bill provides that the exemption does not apply to the transportation of garbage that is provided in connection with taxable garbage removal services not performed on a regular contractual basis.

If implemented, it is expected that the passage of A-2465 would result in a \$33 million loss of sales and use tax revenue in the 2019.

Recommendation

The Commission opposes enactment of this bill. Commissioner Feeney abstained.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 6

Commission Members **Abstaining:** 1

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

Bill Number: A-2675

Date of Introduction: 02/01/18

Date of Consideration: 03/28/18

Sponsor(s): Assemblyman Dancer

Co-Sponsor(s):

Identical Bill:

Committee: Assembly State and Local Government Committee

Description

Provides sales and use tax exemption for certain septic waste removal services including human waste.

Analysis

This bill provides a sales and use tax exemption for services related to the pumping and treatment of septic waste from septic tanks, maintaining or servicing septic tanks, and pickup, transportation or unloading of septic waste from septic tanks.

Sales and use tax derived from septic system services can range from \$9.1 million up to \$11 million for a service that should be performed every few years.

Recommendation

The Commission opposes enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining:** 0

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

Bill Number: A-2676

Date of Introduction: 02/01/18

Date of Consideration: 03/28/18

Sponsor(s): Assemblyman Dancer

Co-Sponsor(s):

Identical Bill:

Committee: Assembly Agriculture and Natural Resources Committee

Description

Provides sales and use tax exemption for sales of certain game birds to certain persons licensed to operate semi-wild shooting preserves.

Analysis

This bill would provide a sales and use tax exemption for sales of pheasant, partridge, and quail to certain licensed operators of semi-wild shooting preserves. The bill provides that for the exemption to apply the sale must be made to the operator of a semi-wild shooting preserve by a person engaged in the propagation and sale of game birds. Additionally, the game birds must be liberated by the operator of the semi-wild shooting preserve, on land within the boundaries of the preserve, during the annual period prescribed for the taking of pheasant, partridge, or quail in a semi-wild state by shooting. To receive the benefit of the exemption the operator of the semi-wild shooting preserve must pay the applicable tax and then file a claim for refund with the Division of Taxation.

The estimated firearm hunter expenditures (excluding license, stamp and permits fees) for migratory birds is approximately \$2.1 million, according to a report by the New Jersey Division of Fish & Wildlife. As a result, total sales and use tax loss could be around \$143,210.

Recommendation

By motion the Commission reaffirmed its previous recommendation to oppose enactment of this measure.

The Commission opposes the enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining:** 0

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

Bill Number: A-1045

Date of Introduction: 01/09/18

Date of Consideration: 03/28/18

Sponsor(s): Assembly Members Houghtailing, Downey, and Muoio

Co-Sponsor(s):

Identical Bill:

Committee: Assembly Agriculture and Natural Resources Committee

Description

Clarifies sales tax collection responsibilities of horse-boarding businesses in New Jersey; makes change retroactive to October 1, 2006.

Analysis

This bill would clarify Sales Tax collection responsibilities of horse-boarding businesses in New Jersey and makes the change retroactive to October 1, 2006. Charges for storing and/or maintaining a horse, pony, mule, donkey, or hinny in a barn or similar facility by a person engaged in the business of boarding such animals are exempt from the tax imposed pursuant to the "Sales and Use Tax Act," P.L. 1966, c. 30 (C.54.32B-1 et seq.). This bill would take effect immediately; provided however, that section 1, 2, and 3 shall be retroactive to October 1, 2006 and apply to all services rendered on or after that date.

Horse boarding total annual expenditure is \$30 million, according to a Rutgers University study. As a result, the New Jersey's Sales & Use Tax loss would be around \$1,987,500.

Recommendation

By motion the Commission reaffirmed its previous recommendation to oppose enactment of this measure. Commissioner Feeny reaffirmed her abstention.

The Commission opposes the enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 6

Commission Members **Abstaining:** 1

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

Bill Number: A-2682

Date of Introduction: 02/01/18

Date of Consideration: 03/28/18

Sponsor(s): Assemblyman Dancer

Co-Sponsor(s):

Identical Bill:

Committee: Assembly Agriculture and Natural Resources Committee

Description

Clarifies sales tax collection responsibilities of horse boarding businesses in New Jersey.

Analysis

This bill would clarify Sales Tax collection responsibilities of horse boarding businesses in New Jersey. Charges for storing and/or maintaining a horse, pony, mule, donkey, or hinny in a barn or similar facility by a person engaged in the business of boarding such animals are exempt from the tax imposed pursuant to the "Sales and Use Tax Act," P.L. 1966, c. 30 (C.54.32B-1 et seq.). This act shall take effect immediately and apply to lease and rental agreements entered into, and to charges for services rendered, on or after the first day of the first month of the first calendar quarter beginning at least 90 calendar days after the date of enactment.

Horse boarding total annual expenditure is \$30 million, according to a Rutgers University study. As a result, the New Jersey's Sales & Use Tax loss would be around \$1,987,500.

Public Comment

The Commission received a public comment via email from someone identifying themselves as Jean Public. Jean Public advised the commission to not recommend this bill because it is a taxable service that is necessary to bring money into New Jersey.

Recommendation

The Commission recommends enactment of this bill. Five members voted to recommend the proposal, Dr. Madhusudhan and Commissioner Feeney abstained.

Commission Members For Proposal: 5

Commission Members **Against** Proposal: 0

Commission Members **Abstaining**: 2

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

Bill Number: A-3023

Date of Introduction: 02/08/18

Date of Consideration: 03/28/18

Sponsor(s): Assemblyman Bucco

Co-Sponsor(s):

Identical Bill:

Committee: Assembly Commerce and Economic Development Committee

Description

Provides sales and use tax exemption for sales of certain services performed to manufacturing equipment.

Analysis

This measure would extend the sales and use tax exemption which only applies to manufacturing equipment and certain parts thereof, as described in N.J.S.A. 54:32B-8.13a, to repairs and maintenance of such machinery.

Due to the lack of specificity in this legislation concerning what type of services would become exempt from sales and use tax; the bill's fiscal impact may only be loosely estimated. The Census Bureau publishes the results of an annual survey of manufacturers, but those results lack sufficient granularity to isolate the value of contract work done for maintenance and repairs.

Given the fiscal analysis parameters discussed below - this bill may be estimated to result in an sales and use tax revenue loss of (\$141.94 million - \$283.88 million) to the State's general fund.

Recommendation

By motion the Commission reaffirmed its previous recommendation to oppose enactment of this measure.

The Commission opposes the enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining:** 0

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

Bill Number: S-1419

Date of Introduction: 02/01/18

Date of Consideration: 03/28/18

Sponsor(s): Senators Connors and Beach

Co-Sponsor(s):

Identical Bill:

Committee: Senate Commerce Committee

Description

Excludes value of certain manufacturer rebates from sales price of motor vehicles taxable under sales and use tax.

Analysis

This bill would exclude the value of certain manufacturer's rebates from the portion of the sales price of motor vehicles subject to the Sales and Use Tax.

The maximum fiscal impact ranges from a loss of \$9.7 million for a \$500 rebate to a loss of \$39.1 million for a \$2,000 rebate.

Recommendation

By motion the Commission reaffirmed its previous recommendation to oppose enactment of this measure.

The Commission opposes the enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining**: 0

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

Bill Number: S-1456

Date of Introduction: 02/01/18

Date of Consideration: 03/28/18

Sponsor(s): Senator Doherty

Co-Sponsor(s):

Identical Bill:

Committee: Senate Budget and Appropriations Committee

Description

Removes imposition of sales and use tax on sales of massage, bodywork and somatic services.

Analysis

This bill would take effect immediately and apply to massage, bodywork, and somatic services rendered on or after the first day of the third month next following the date of enactment.

It is estimated that enactment of this proposed legislation would result in a loss to the State's general fund ranging from \$27 million to \$29 million annually from fiscal years 2019-2021. Consumers already have a means of receiving an exemption if a doctor prescribes such health services as a therapeutic treatment.

Recommendation

By motion the Commission reaffirmed its previous recommendation to oppose enactment of this measure.

The Commission opposes the enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining**: 0

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

Bill Number: A-1302

Date of Introduction: 01/09/18

Date of Consideration: 03/28/18

Sponsor(s): Assemblyman Greenwald

Co-Sponsor(s):

Identical Bill:

Committee: Assembly Budget Committee

Description

Excludes certain services rendered in connection with installation of carpeting and other flooring from sales and use tax.

Analysis

The bill would exempt the charges for certain services rendered in connection with the installation of carpeting and other flooring from sales and use tax. Receipts from sales of services rendered in connection with the installation of carpeting and other flooring, such as linoleum, tile, hardwood, and marble, are exempt from the Sales and Use Tax, if the carpeting or other flooring, when installed, constitutes an addition or "capital improvement."

Although precise figures are not available, it is estimated that the loss to the State's general fund would be approximately \$69 million in FY 2019, \$71 million in FY 2020, and \$73 million in FY 2021.

Recommendation

By motion the Commission reaffirmed its previous recommendation to oppose enactment of this measure.

The Commission opposes the enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining**: 0

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

Bill Number: A-2292

Date of Introduction: 02/01/18

Date of Consideration: 03/28/18

Sponsor(s): Assemblymen Peterson and DeAngelo

Co-Sponsor(s):

Identical Bill:

Committee: Assembly Military and Veterans' Affairs Committee

Description

Exempts storage facility space furnished to active duty military personnel from sales and use tax.

Analysis

This bill would exempt storage facility space furnished to a member of the armed forces or the reserve components thereof who is on active duty or active duty for training, as defined in N.J.S.38A:1-1, of space for storage furnished during the period lasting from three months before the period of active duty or active duty for training until three months after the period of active duty or active duty for training from Sales and Use Tax.

It is estimated that the enactment of this proposed legislation would result in a maximum loss to the State's general fund ranging from \$609,686 to \$731,623, assuming that all the 7,669 active military personnel rent a storage unit.

Recommendation

By motion the Commission reaffirmed its previous recommendation to oppose enactment of this measure.

The Commission opposes the enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining**: 0

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

Bill Number: A-2466

Date of Introduction: 02/01/18

Date of Consideration: 03/28/18

Sponsor(s): Assemblyman DeAngelo

Co-Sponsor(s):

Identical Bill:

Committee: Assembly Budget Committee

Description

Provides sales and use tax rebate for certain purchases made by, or on behalf of, individuals and small businesses affected by natural disasters.

Analysis

This bill provides a sales and use tax rebate for certain purchases made by, or on behalf of, individuals and small businesses affected by natural disasters, including Superstorm Sandy. That tropical cyclone was the worst storm of 2012, causing more than \$37 billion in damage throughout New Jersey. The list of products and services that will be eligible for a rebate are construction services, construction materials, construction supplies, construction equipment, carpeting and other flooring, heating and cooling systems, durable domestic appliances, and consumer electronic devices, and motor vehicles to replace a disaster victim's vehicle, which was registered or in the state.

The total loss to the general fund could be between \$19.9 million to \$39.8 million. As a result, the combined fiscal impact ranges from \$81.9 million to \$187.4 million.

Recommendation

By motion the Commission reaffirmed its previous recommendation to oppose enactment of this measure.

The Commission opposes the enactment of this bill.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal: 7

Commission Members **Abstaining:** 0

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

Bill Number: S-1847

Date of Introduction: 02/15/18

Date of Consideration: 03/28/18

Sponsor(s): Senator Turner

Co-Sponsor(s):

Identical Bill:

Committee: Senate Health, Human Services and Senior Citizens Committee

Description

Exempts from sales and use tax sales of medical marijuana.

Analysis

This bill exempts the purchase of medical marijuana from New Jersey's Sales and Use Tax. Five licensed marijuana Alternative Treatment Centers (ATCs) are located in Montclair, Egg Harbor, Woodbridge, Cranbury and Bellmawr. They sold more than 2,798 pounds of medical marijuana in 2016, according to an annual report by the New Jersey Department of Health. A sixth ATC in Secaucus is expected to open soon.

This bill would result in a loss to the State's general fund ranging from \$2.6M to \$5.2M in Fiscal Year 2019, and a loss ranging from \$3.2M to \$9.6M in Fiscal Year 2020.

Recommendation

The Commission recommends enactment of this bill. Six members voted to recommend the proposal. Dr. Madhusudhan abstained.

Commission Members **For** Proposal: 6

Commission Members **Against** Proposal: 0

Commission Members **Abstaining:** 1

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

Bill Number: A-3544

Date of Introduction: 03/05/18

Date of Consideration: 03/28/18

Sponsor(s): Assemblymen Mukherji and McKeon

Co-Sponsor(s):

Identical Bill:

Committee: Assembly Financial Institutions and Insurance Committee

Description

Exempts certain credit unions from sales and use tax.

Analysis

If enacted, this bill would exempt State-chartered credit unions from paying or charging sales and use tax.

The annual revenue loss to the general fund would be minimal. There are currently 13 State-chartered credit unions in New Jersey that, combined, hold roughly \$609.5 million in assets and \$55.4 million in capital. By comparison, there are 35 State-chartered corporate banks that hold roughly \$43.4 billion in assets and \$5.0 billion in capital. The 13 State-chartered credit unions' combined Sales Tax liabilities for Tax Year 2017 was less than \$1,000, according to Division of Taxation data.

Recommendation

The Commission opposes enactment of this bill. Commissioner Feeney and Dr. Madhusudhan abstained.

Commission Members **For** Proposal: 0

Commission Members **Against** Proposal:5

Commission Members **Abstaining:** 2

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

Bill Number: S-2108

Date of Introduction: 03/05/18

Date of Consideration: 03/28/18

Sponsor(s): Senator Bucco

Co-Sponsor(s):

Identical Bill:

Committee: Senate Budget and Appropriations Committee

Description

Provides sales and use tax exemption for sales of certain services to certain business-use personal property.

Analysis

This bill would exempt business receipts from Sales and Use Tax for installing, maintaining and servicing or repairing manufacturing machinery, apparatus or equipment. The sales and use tax exemption to services performed on such business-use property would include equipment for providing telecommunications services, broadcast or cable television, radio transmission and property used in experimental research and development.

The actual sale of machinery, apparatus and equipment used in manufacturing, processing, assembling, or refining is generally already exempt from sales tax. However, contractors and subcontractors who service, maintain or repair such property must charge and collect applicable sales tax for those services.

Due to the general nature of the types of services that would become exempt from sales and use tax by this legislation, the fiscal impact cannot be precisely estimated. This bill is estimated to result in a sales and use tax revenue loss of \$141.94 million - \$283.88 million to the State's general fund.

Recommendation

The Commission recommends enactment of this bill. Six members voted to recommend the proposal. Dr. Madhusudhan abstained.

Commission Members **For** Proposal: 6

Commission Members **Against** Proposal: 0

Commission Members **Abstaining**: 1