

LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

ASSEMBLY, No. 2765

STATE OF NEW JERSEY 213th LEGISLATURE

DATED: OCTOBER 29, 2008

SUMMARY

Synopsis: Authorizes certain municipalities to impose a tax on the rental of motor vehicles proceeds to fund certain redevelopment plan activities.

Type of Impact: Indeterminate potential revenue increase.

Agencies Affected: Certain municipalities.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Local Revenue	Indeterminate potential increase	Indeterminate potential increase	Indeterminate potential increase

- The Office of Legislative Services (OLS) estimates an indeterminate potential increase in municipal revenue as a result of the imposition of a tax on the rental of motor vehicles by certain municipalities. No specific estimate is available because the OLS is not able to reconcile the revenue information received from the Port of Authority of New York and New Jersey with the limitations of the car rental tax.
- According to information from the Port of Authority of New York and New Jersey car rental companies on airport property collected \$187.4 million and \$188.1 million gross in revenues in 2006 and 2007 respectively. The data also indicates that through the first nine months of 2008, these companies on airport property have collected \$140.8 million gross revenues.
- The OLS notes that all motor vehicle rental taxes collected by an eligible municipality must be deposited into a trust account and dedicated exclusively to the purpose of funding certain redevelopment activities. Any municipality that imposes a local motor vehicle rental tax pursuant to the bill may modify the tax rate as long as the new rate does not exceed the five percent cap set by the bill.

BILL DESCRIPTION

Assembly Bill No. 2765 (2R) of 2008 would authorize certain municipalities to impose a tax on the rental of motor vehicles. Specifically, the bill would allow a municipality having a

population in excess of 100,000 and within which is located a commercial airport which provides for a minimum of 10 regularly scheduled commercial airplane flights per day, or a municipality in which any portion of such an airport is located, by ordinance, to impose a tax on the rental of motor vehicles which occur within one mile of the outer perimeter of the commercial airport. All local motor vehicle rental taxes collected by a municipality under the bill must be deposited into a trust account and dedicated exclusively to the purpose of funding redevelopment plan activities.

The bill, would cap the local motor vehicle rental tax imposed by a municipality at five percent (5 percent) of the total amount of the fee charged for the rental of the motor vehicle. The bill also allows a municipality to modify the tax rate as long as the modified tax rate does not exceed the five percent cap set by the bill.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates an indeterminate potential increase in municipal revenue as a result of the imposition of a tax on the rental of motor vehicles by certain municipalities. No specific estimate is available because the OLS notes that it is unable to reconcile the revenue information received from the Port of Authority of New York and New Jersey with the limitations of the car rental tax. According to the bill, the tax may only be added to the total amount of the fee charged for the rental of the motor vehicle. The data provided by the Port of Authority is for gross revenues, and therefore may include other fees for the car rental and other charges that may be added by the rental company.

According to information from the Port of Authority of New York and New Jersey regarding the amount of revenues generated by car rentals at Newark Liberty International Airport, car rental companies on airport property have collected \$140.8 million gross revenues through the first nine months of 2008. In all of 2006 and 2007, these companies collected \$187.4 million and \$188.1 million in gross revenues respectively. In order to illustrate, but not forecast, the potential maximum amount of revenue that the City of Newark could raise through a tax on the rental of motor vehicles at Newark Airport, the OLS multiplied the 2007 revenue total of \$188.1 million by .05 or 5 percent, the maximum amount of the tax allowed by this bill. That amount is \$9,405,000.

The OLS estimate indicates indeterminate potential increase in local revenue because the bill does not impose the tax; it allows eligible municipalities to pass an ordinance imposing the tax. The OLS notes this bill would allow any municipality having a population in excess of 100,000 and within which is located a commercial airport which provides for a minimum of 10 regularly scheduled commercial airplane flights per day, or any municipality in which any portion of such an airport is located. The OLS notes that there are two municipalities that meet these qualifications: the City of Elizabeth and the City of Newark.

Section: Local Government

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L. 1980, c.67 (C. 52:13B-1 et seq.).