

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2784

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 23, 2015

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2784, with committee amendments.

As amended, this bill provides for a maximum limit on the amount of sales and use tax that can be imposed and collected on the sale or use of a boat or other vessel, and establishes an annual limited "use" grace period to avoid use tax on certain boats and vessels that are purchased by New Jersey residents out-of-State, for use out-of-State, and subsequently used, on a limited basis, within this State.

The bill provides that the maximum amount of tax imposed and collected on the sale or use of a boat or other vessel in this State is limited to \$20,000. This maximum limitation on the imposition of the tax is to principally apply to new sales and uses of non-commercial boats and vessels, including motorboats, sailboats, and other yachts and cruisers, that are not eligible for the exemption currently granted for sales and uses of commercial ships and vessels.

In addition, the bill establishes a limited "use" grace period to avoid the imposition of the tax on the use of certain boats and vessels by resident purchasers by providing that the use within this State of a boat or other vessel for temporary periods, not totaling more than 90 calendar days in a calendar year, is not to be subject to the State's compensating use tax. The bill requires: 1) the boat or other vessel used within this State to have been purchased by a resident of the State of New Jersey outside of this State for use outside of this State; 2) the boat or other vessel be legally operated by the resident purchaser and meet all current requirements pursuant to applicable federal law or pursuant to a federally-approved numbering system for boats and vessels adopted by another state; and 3) the resident purchaser to not be engaged in or carrying on in this State any employment, trade, business, or profession in which the boat or vessel is to be used in this State.

COMMITTEE AMENDMENTS:

The committee amendment changes, from 30 to 90 calendar days, the limited "use" grace period under which certain boats and vessels

purchased out of state by resident purchasers may be used within this State without being subject to use tax.

FISCAL IMPACT:

The Office of Legislative Services (OLS) has no data with which to estimate the impact of the grace period for imposition of use tax on certain boats and vessels used by resident purchasers under this bill. However, the maximum \$20,000 amount of tax imposed and collected on the sale or use of a boat or other vessel may reduce annual State tax revenues by an estimate of between \$1.0 million and \$2.0 million annually.

Extrapolating from data published in the National Marine Manufacturers Association's *2013 Recreational Boating Statistical Abstract*, the OLS estimates between 1% and 2% of New Jersey new boat sales, and between 30% and 40% of the estimated \$10.5 million in annual State sales tax revenues derived from boat sales, are attributable to higher-priced boats valued in excess of \$285,714 (the price above which taxpayers would begin to benefit from the bill's maximum \$20,000 tax). Thus, based on the national data, these higher priced sales account for an estimated range of between 70 and 140 boats and approximately \$3.1 million to \$4.2 million in sales tax revenue annually in New Jersey. As the bill would limit these 70 to 140 taxpayers to a maximum \$20,000 sales tax, the OLS estimates it is plausible that the maximum tax could reduce State sales tax revenues, and save these taxpayers, an aggregate of between \$1.0 million and \$2.0 million annually.

To the extent that the sales tax cap in the bill induces additional higher-price boat sales that would otherwise not occur, the State may gain \$20,000 tax revenue per additional higher-price boat sale.