

FISCAL NOTE
[First Reprint]
SENATE, No. 1988
STATE OF NEW JERSEY
214th LEGISLATURE

DATED: NOVEMBER 9, 2011

SUMMARY

Synopsis: Phases out cosmetic medical procedure gross receipts tax over three-year period.

Type of Impact: Annual Revenue Loss from the Health Care Subsidy Fund (off-budget).

Agencies Affected: Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014 and thereafter</u>
State Revenue Loss	\$1,800,000	\$7,200,000	\$10,800,000

- The Department of Treasury and the Office of Management and Budget **concur** with the Office of Legislative Services' (OLS) Fiscal Estimate, originally published October 5, 2011.
- The OLS estimates that this bill would reduce State revenues deposited in the (off-budget) Health Care Subsidy Fund by about \$1,800,000 in the first fiscal year (6-month impact), \$7,200,000 in the second year, and \$10,800,000 in the third year and thereafter.

BILL DESCRIPTION

Senate Bill No. 1988 (1R) of 2010 phases out the cosmetic medical procedure gross receipts tax over three steps beginning on the first day of the first calendar quarter starting after the date of enactment. Under the bill, as amended, the six percent rate of tax currently imposed on the gross receipts from cosmetic medical procedures is (1) reduced to a percent rate starting with the first calendar quarter beginning after the date of enactment; (2) reduced to a 2 percent rate from July 1, 2012 until July 1, 2013, and (3) and starting July 1, 2013 the rate of tax will be 0 percent, effectively ending the tax.

Under current law, a cosmetic medical procedure is any medical procedure performed on an individual which is directed at improving the procedure subject's appearance and which does not meaningfully promote the proper function of the body or prevent or treat illness or disease. Examples of taxable procedures include cosmetic surgery, hair transplants, cosmetic injections, cosmetic soft tissue fillers, dermabrasion and chemical peel, laser hair removal, laser skin resurfacing, laser treatment of leg veins, sclerotherapy, and cosmetic dentistry.

FISCAL ANALYSIS

EXECUTIVE BRANCH

The Department of Treasury and the Office of Management and Budget concur with the OLS' Fiscal Estimate, originally published October 5, 2011. Treasury's Office of Revenue and Economic Analysis agrees that "the OLS estimate is well-founded and reasonable and the estimates of lost revenue are valid."

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that this bill would reduce State revenues deposited in the (off-budget) Health Care Subsidy Fund by about \$1,800,000 in the first fiscal year (6-month impact), \$7,200,000 in the second year, and \$10,800,000 in the third year and thereafter. Estimates are based on the most recent figures from the State accounting system, indicating that this revenue source yielded approximately \$10,800,000 million in the most recent fiscal year. The phase-out of the 6 percent tax rate occurs in 3 equal steps under the bill, so the total amount was divided into three equal parts over three fiscal years. However, the first year impact is limited to six months, assuming the tax change begins January 1, 2012.

Section: Revenue, Finance and Appropriations
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This fiscal note has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).