

ASSEMBLY, No. 2757

STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED FEBRUARY 13, 2020

Sponsored by:

Assemblywoman AURA K. DUNN

District 25 (Morris and Somerset)

SYNOPSIS

Requires State Treasurer to distribute portion of revenue from sales tax to municipality in which sale is sourced.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT requiring the distribution of a portion of sales and use tax
2 revenue to municipality in which a sale is sourced,
3 supplementing P.L.1966, c.30.
4

5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*
7

8 1. a. From the revenue derived from the tax imposed pursuant
9 to the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et
10 seq.), an amount equal to the revenue derived from a one percent
11 tax rate on each taxed retail sale shall be credited to the Property
12 Tax Relief Fund. The amount credited shall be inclusive of, not in
13 addition to, the amount required to be credited pursuant to
14 subparagraph b. of Article VIII, Section I, paragraph 7 of the New
15 Jersey Constitution.

16 b. The Director of the Division of Taxation shall determine and
17 certify to the State Treasurer on a monthly basis the amount of
18 revenue derived from retail sales sourced to each municipality. A
19 retail sale shall be sourced to a municipality in accordance with
20 sections 26, 28, and 29 of P.L.2005, c.126 (C.54:32B-3.1,
21 C.54:32B-3.3, and C.54:32B-3.4) and in accordance with all other
22 provisions of the "Sales and Use Tax Act" P.L.1966, c.30
23 (C.54:32B-1 et seq.). The director is authorized to require sellers to
24 provide information necessary for the director to determine where a
25 sale should be sourced.

26 c. The Legislature shall annually appropriate and the State
27 Treasurer shall pay from the Property Tax Relief Fund to the
28 municipality in which a retail sale is sourced an amount equal to the
29 revenue derived from a one percent tax rate on each taxed retail sale
30 sourced to the municipality. The payments shall be made at
31 intervals determined by the State Treasurer, in consultation with the
32 Director of the Division of Local Government Services in the
33 Department of Community Affairs, but shall be made no less than
34 annually.

35 d. Any amount paid to a municipality pursuant to this section
36 shall be used exclusively for the purpose of reducing the amount the
37 municipality is required to raise by local property tax levy for
38 municipal purposes.
39

40 2. This act shall take effect at the start of the fifth calendar
41 quarter that begins following enactment.
42
43

44 STATEMENT
45

46 This bill requires the Legislature to annually appropriate to the
47 municipality in which a taxed sale is sourced an amount equal to the

1 revenue that would be derived from a one percent tax rate on the
2 sale.

3 Sales are sourced in accordance with the requirements of the
4 multi-state Streamlined Sales and Use Tax Agreement, which New
5 Jersey is a part of pursuant to statute. For example, if a product is
6 received by a purchaser at a business location of the seller, then the
7 sale is sourced to that business location. If a product is not received
8 by a purchaser at a business location of the seller, then the sale is
9 sourced to the location where receipt by the purchaser occurs.

10 Currently, the sales tax rate is 6.625 percent of the purchase
11 price, or 6.625 cents for every dollar of the purchase price. This bill
12 requires one cent of every 6.625 cents, or the amount collected from
13 a one percent rate, to be distributed to the municipality in which the
14 sale is sourced. Based on the executive certified revenue estimate
15 for sales tax for fiscal year 2020, a one percent rate would yield
16 about \$1.7 billion.

17 New Jersey's constitution already requires an amount equal to
18 the revenue from a rate of half of one percent to be placed in the
19 Property Tax Relief Fund (PTRF). Money in the PTRF may only be
20 used to offset property taxes. Aid to municipalities is a form of
21 offsetting property taxes because the aid allows municipalities to
22 avoid increasing property tax rates. Pursuant to this bill, an amount
23 equal to the revenue from a full one percent rate will be placed in
24 the PTRF and will be distributed to municipalities based on where
25 sales are sourced.