

**LEGISLATIVE FISCAL ESTIMATE**  
**ASSEMBLY, No. 5121**  
**STATE OF NEW JERSEY**  
**219th LEGISLATURE**

DATED: MARCH 24, 2021

**SUMMARY**

**Synopsis:** Concerns provision of energy to certain manufacturing facilities by providing exemptions to certain energy related taxes.

**Type of Impact:** Annual State revenue loss.

**Agencies Affected:** Department of the Treasury

**Office of Legislative Services Estimate**

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
<b>State Revenue Loss</b>		Indeterminate	

- The Office of Legislative Services (OLS) determines that the bill will result in an indeterminate annual State revenue loss by exempting, for an initial period of seven years, the sale or use of energy utility service to qualifying recycled materials manufacturing facilities from the sales and use tax. The OLS cannot determine the number of facilities conforming to the bill's stringent eligibility requirements. This restrictiveness, however, leads the OLS to estimate that few manufacturers may qualify for the sales and use tax exemption.
- Any revenue loss would occur over seven years unless the exemption is extended, reflecting the bill's sunset provision. The beginning of the tax exemption period will be specified by the owner of a recycled materials manufacturing facility following consultation and filing of notice with the Division of Taxation. Certain provisions in the bill allow for the State to recover revenues in the event that a facility is relocated outside the State during the seven-year period.
- The OLS determines that there will be a minimal impact to the division to annually review the economic feasibility of continuing to provide qualifying recycled materials manufacturing facilities with the exemption from the sales and use tax and to submit their recommendations to the Legislature as to whether such exemptions should be continued. The OLS notes that the division already reviews the economic feasibility for providing this exemption for recovered materials manufacturing facilities, thus the OLS determines the annual review could be subsumed within existing duties of current staff.

## **BILL DESCRIPTION**

This bill exempts the sale or use of energy utility service to qualifying recycled materials manufacturing facilities from the sales and use tax for an initial period of seven years beginning at some point after enactment of the bill as specified by the owner of a recycled materials manufacturing facility following consultation and filing of notice with the division. The bill requires the Division of Taxation to annually review the economic feasibility of continuing to provide qualifying recycled materials manufacturing facilities with the exemption from the sales and use tax and to submit their recommendations to the Legislature as to whether such exemptions should be continued. The exemption established by the bill for recycled materials manufacturing facilities would continue until the division recommends the termination of the sales and use tax exemption. The provision of the sales and use tax exemption for recycled materials manufacturing facilities can be extended on a yearly basis and remain in effect until such time that the division recommends the termination of that sales and use tax exemption. If the owner of a recycled materials manufacturing facility relocates the facility to a location outside this State during the tax exemption period, the owner of the facility will pay the division the amount of tax for which an exemption had been allowed.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS determines that the bill will result in an indeterminate annual State revenue loss by exempting, for an initial period of seven years, the sale or use of energy utility service to qualifying recycled materials manufacturing facilities from the sales and use tax. The OLS notes that there can be an extension of the exemption from the sales and use tax if recommended by the division resulting in additional loss of revenue for those years. The amount of revenue loss will depend on the number of qualifying recycled materials manufacturing facilities that apply for the sales and use tax exemption and the amount they would pay if the exemption was not in place. The OLS notes that the stringent requirements of the bill may limit the number of facilities qualifying for the tax exemption. The OLS further notes that the bill requires an owner of an eligible facility that relocates outside this State during the seven-year exemption period to pay back the division the amount of tax for which the exemption was allowed.

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*Section: Environment, Agriculture, Energy, and Natural Resources*

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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-6 et seq.).