

# LEGISLATIVE FISCAL ESTIMATE TO

[First Reprint]  
**ASSEMBLY, No. 167**

## **STATE OF NEW JERSEY**

DATED: OCTOBER 15, 1996

Assembly Bill No. 167 (1R) of 1996 exempts from the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.), certain pollution or waste control equipment, machinery or apparatus.

Under this bill, the sale of equipment, machinery or apparatus used directly and exclusively for the pollution prevention, control or elimination of air or water pollution or of solid or hazardous waste would be exempt from the sales tax and the compensating use tax. This exemption would apply only if the purchaser generates air or water pollution or solid or hazardous waste within the State as a by-product of a manufacturing, industrial, commercial or agricultural process or service and purchases the equipment, machinery or apparatus for installation and use at the manufacturing, industrial, commercial or agricultural facility and only if the equipment, machinery or apparatus is required by the federal Environmental Protection Agency pursuant to a federal law or regulation, or by the State Department of Environmental Protection pursuant to a State law or regulation.

The Division of Taxation in the Department of Treasury has not provided fiscal information on this bill in this legislative session. Because data are not available specifically for New Jersey, a precise estimate of the revenue loss that would result from this bill's enactment cannot be made. However, the Office of Legislative services (OLS) notes that national data may be used to estimate expenditures that could be subject to the exemption under this bill and, thereby, to estimate a potential revenue loss based on those expenditures.

According to the U.S. Department of Commerce, September 1996, Survey of Current Business, the national business sector's capital expenditures for air and water pollution abatement plant and equipment and for solid waste management were approximately \$16.9 billion in 1994. Based on information in that periodical, the OLS assumes an average annual compounded growth in expenditures of 8 percent. Allocating those national expenditures on the basis of New Jersey's share of the gross state product as a percentage of the national gross state product and applying the current sales tax rate, results in estimates for the potential revenue loss of approximately \$47.5 million in 1997, \$51.3 million in 1998 and \$55.4 million in 1999.

The OLS notes that the actual revenue loss may be less because not all expenditures would meet the two criteria for exemption set

forth in the bill, and the actual cost will be affected by changes in federal and State environmental laws and enforcement efforts, changes in pollution control technology and growth or decline in manufacturing activity.

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.