

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1485

STATE OF NEW JERSEY

DATED: SEPTEMBER 19, 1996

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 1485 of 1996

Assembly Bill No. 1485 provides that a hotel in an eligible municipality must separately state the tourism promotion fees to guests and that such fees are not includible in the taxable room rent for New Jersey sales and use tax and Atlantic City luxury tax purposes. The bill is retroactive to March 1, 1992, the first day of the first full month in which hotel rentals were subject to the tourism promotion fees, and applies to all taxes that are uncollected since that date.

The tourism promotion fees, enabled pursuant to P.L.1991, c.376 (C.40:48-8.45 et seq), are \$2 per day for each occupied room in a casino gaming hotel in Atlantic City and \$1 per day for each occupied room in other hotels in Atlantic City. According to the Atlantic City Convention Center Authority, this fee has been collected since 1992 and it is anticipated that \$7 million will be raised in 1996. The fees are imposed on the hotel owner and may be passed on to the customer; however, if the fees are passed on to the customer, the increase in the hotel room rate may become part of the taxable receipt on which New Jersey sales tax and Atlantic City luxury tax are imposed.

The bill, which allows the fees to be excluded from taxable room rent, prevents tax "pyramiding," the imposition of the combined sales taxes on the fee.

In addition, it is the purpose of this bill to establish not only that the fee is not to be included in the taxable hotel bill prospectively, but that the hotels subject to the fee will not be responsible for the additional uncollected taxes that otherwise could have been collected since March 1, 1992, the effective date of P.L.1991, c.376.

As reported, this bill is identical to Senate Bill 293 of 1996 (Gormley).

FISCAL IMPACT

The legislative history of P.L.1991, c.376 does not indicate that any sales tax revenues were intended to be obtained from this source; no such revenues have been included in revenue estimates or in State budgets or appropriations acts. In fact, the annual appropriations act for State fiscal year 1996 contained language explicitly forbidding the enforcement of New Jersey sales tax and Atlantic City luxury tax on

the tourism promotion fees.

In a Legislative Fiscal Estimate prepared by the Office of Legislative Services (OLS), the OLS states that imposition of the sales taxes on the tourism promotion fees would have generated annually approximately \$200,000 in New Jersey sales taxes for the General Fund and approximately \$600,000 in Atlantic City luxury taxes.

Information from the Department of Treasury indicates that the sales taxes have never been enforced on the tourism promotion fees; therefore, the bill, although retroactive, would not require the refund of taxes already collected. Enactment of this bill would have no expected effect on estimates for revenue or expenditures for State fiscal year 1997.