

**ASSEMBLY SENIOR ISSUES, TOURISM AND GAMING
COMMITTEE**

STATEMENT TO

ASSEMBLY, No. 2504

with committee amendments

STATE OF NEW JERSEY

DATED: DECEMBER 9, 1996

The Assembly Senior Issues, Tourism and Gaming Committee reports favorably and with committee amendments Assembly, No. 2504.

Currently, certain contiguous municipalities may form a tourism improvement and development authority. In these municipalities an 8% tax is levied on certain tourism related retail receipts collected in a tourism improvement and development district. The tax is levied on hotel rentals, restaurant food and drink sales, and admissions charges in the district. The tax is shared by the State and the tourism authority, 6% going to the State and 2% going to the tourism authority. The local share of the taxes is a funding source for the advertising, promotion, improvement and support of tourism projects and for the issuance of bonds for the acquisition, construction, maintenance and operation of a convention center or tourism project and the payment of interest and principal on those bonds. At present, this tax is only levied in support of the projects of the Greater Wildwood Tourism Development Authority.

This bill increases the local share of the State and local taxes on tourism related receipts levied in municipalities that have formed a tourism improvement and development district. While the total rate of tax will remain at 8%, the local share of the levy supporting tourism projects will increase, going from 6% State and 2% authority to 4% State and 4% authority, until all payments for bonds have been made. Thereafter the rate of tax shall return to 2%. For a period, the funds will be divided 3% to the State and 5% to the authority. This period will last until the 1% "extra" share to the authority yields funds to the authority equal to the additional amount that the authority would have received if the authority had received 4% of the funds for the entire period it was receiving 2% of the funds.

Under the bill, the tax revenues available to the authority shall be limited to \$5.75 million annually during the initial period and \$5 million annually thereafter, plus an additional \$500,000 for operating and administrative costs of the authority, and shall be used solely for

the costs of capital construction of a tourism project, defined as a convention center facility or outdoor special events arena or both, or for the issuance of bonds and payment of interest and principal on such bonds. Any excess revenues shall be deposited in the General Fund for general State purposes. The municipalities within a district may increase the rate of tax in excess of 2% only if the beach fee imposed by each municipality does not exceed \$2 per day.

The bill provides that the State Treasurer shall designate the New Jersey Economic Development Authority or any other State authority to undertake the bonds financing and the construction of the tourism projects and shall review and approve the annual budget of the authority and the annual budget for any tourism project.

The bill also reconstitutes the membership of the tourism improvement and development authority by limiting the municipal appointments to one member for each municipality, by providing five members appointed by the Governor of whom at least two shall be residents of the tourism district engaged in business subject to the tourism sales tax or to merchant fees, and by placing the State Treasurer on the authority, ex officio. In addition, the Governor is provided with the power to review and veto the minutes of the authority.

COMMITTEE AMENDMENTS

The committee amended the bill to provide that:

- 1) Funds from taxes on tourism related receipts shall be used solely for the costs of capital construction, for the issuance of bonds and payment of interest and principal on such bonds, and for allocated authority operating expenses;
- 2) The municipalities within a district may increase the rate of tax only if the beach fee imposed by each municipality does not exceed \$2 per day;
- 3) The amount of tax revenues for the tourism project shall be limited to \$5.75 million annually during the initial period and \$5 million annually thereafter, plus an additional \$500,000 for operating and administrative costs of the authority, and the excess revenues shall be deposited in the General Fund for general State purposes;
- 4) An outdoor special events arena is a tourism project;
- 5) The State Treasurer shall designate the New Jersey Economic Development Authority or any other State authority to undertake the bonds financing and the construction of the tourism projects; and
- 6) The State Treasurer shall review and approve the annual budget of the authority and the annual budget for any tourism project.

The amendments also reconstitute the membership of the tourism improvement and development authority by limiting the municipal appointments to one member for each municipality, by providing five members appointed by the Governor of whom at least two shall be

residents of the tourism district engaged in business subject to the tourism sales tax or to merchant fees, and by placing the State Treasurer on the authority, ex officio. In addition, the Governor is provided with the power to review and veto the minutes of the authority.