

LEGISLATIVE FISCAL ESTIMATE TO
ASSEMBLY, No. 2562
STATE OF NEW JERSEY

DATED: JANUARY 3, 1997

Assembly Bill No. 2562 of 1996 extends for five years the State recycling tax, which is due to expire on December 31, 1996. This tax imposes a charge of \$1.50 per ton of solid waste accepted for disposal at a registered solid waste facility or for transfer at a transfer station, the revenues from which are deposited in the State Recycling Fund. At least 40 percent of the estimated annual balance in the Fund is allocated for tonnage and bonus grants to municipalities and counties.

Of the remaining monies in the Fund, at least 35 percent of the estimated annual balance is allocated for low interest loans or loan guarantees to recycling businesses and industries; seven percent may be used for State recycling program planning and program funding (\$1,691,000 appropriated for program administration in FY 1997); eight percent may be used for county recycling program planning and program funding; and at least 10 percent may be used for a public information and education program concerning recycling activities.

The bill also extends for five years the recycling equipment tax credit, which was created to encourage further investment in recycling. Under current law, a taxpayer who purchases recycling equipment is entitled to a credit against the corporation business tax in an amount equal to 50 percent of the cost of the recycling equipment, less the amount of any loan received from the Fund.

The Office of Legislative Services confirms that the enactment of the bill will prevent the recycling activities supported by the recycling tax from eventually being terminated (provided other funding sources are not utilized). It should be noted that if this tax expires as scheduled, the activities it supports would probably not be significantly affected until FY 1999. This is due to the projected balances of the Fund's assets and liabilities for FY 1997, which indicate, according to the FY 1997 State Budget Recommendation, an opening balance of \$14,446,000, program expenditures estimated at \$8,643,000, and tax collections and other revenues estimated at \$8,475,000 (of which \$7,500,000 is estimated from tax collections). The estimated year-end balance for FY 1997 is \$14,278,000.

Given these estimated balances, if half of the \$7,500,000 in projected tax revenues (\$3,725,000) is not collected due to the tax's expiration, the Fund's FY 1997 year-end balance would be \$10,553,000. This amount would be sufficient to fully support program activities at the current expenditure rates through FY 1998.

With respect to the bill's provision to extend the tax credit on

recycling equipment, pertinent tax data on previous applications for such credits were not available at this time. It can be assumed, however, that if the bill is not enacted, more revenues from the corporation business tax would be retained by the General Fund.

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.