

LEGISLATIVE FISCAL ESTIMATE TO
ASSEMBLY, No. 2596
STATE OF NEW JERSEY

DATED: FEBRUARY 24, 1997

BILL SUMMARY

Assembly Bill No.2596 of 1996 would exclude the retail sale of boats and marine products from transactions which are partially exempt from taxation pursuant to the "New Jersey Enterprise Zones Act," P.L.1983, c.303 (C.52:27H-60 et seq.) and under P.L.1993, c.373 (C.54:32B-8.45) which lowered the sales tax in Salem County for certain retail transactions.

The bill defines boats and marine products pursuant to the "New Jersey Boat Industry Loan Guarantee Fund Act," P.L.1993, c.358 (C.34:1B-7.28 et seq.). "Boat" means a vessel or watercraft, other than a personal watercraft or sea plane on the water, used or capable of being used as a means of transportation on water, which may be temporarily or permanently equipped with machinery for propulsion. "Marine products" are defined as those parts and materials utilized in the design, construction and maintenance of boats, which shall include, but need not be limited to, parts and materials used in boat engines, generators, transmissions, exhaust systems and electrical, plumbing, heating and cooling systems, except that marine products shall not include any oil or oil-based products or materials.

OFFICE OF LEGISLATIVE SERVICES COMMENTS

The Department of Treasury did not respond to a formal request for a fiscal note on this bill. The Office of Legislative Services (OLS) estimates that this bill could increase State sales tax revenues by approximately \$300,000 annually. The State's urban enterprise zones would lose about half of that amount.

The OLS fiscal estimate is based on a series of assumptions because accurate data are not available. Nationally, boating expenditures were about \$17.7 billion in 1996, according to the National Marine Manufacturer's Association. Less than half of that amount, or about \$8.1 billion, consisted of the sale of boats and marine products. The OLS assumes approximately three percent of national sales occurred in New Jersey in 1996, or about \$243 million.

The New Jersey Council of Economic Advisors estimated that total retail sales in the State would reach \$77.5 billion in 1996, so boat and marine products would account for about 0.3 percent of total sales. The Division of Taxation has estimated that the urban enterprise zones

and the reduced sales tax rate in Salem County cost the State in excess of \$100 million in revenue each year. Applying 0.3 percent to \$100 million suggests that the change in taxation of boating and marine products proposed under this bill may increase State sales tax revenues by \$300,000 annually. This amount represents the additional revenue the State may collect if the six percent sales tax is applied to boat and marine product sales in urban enterprise zones and Salem County. On the other hand, the urban enterprise zones would lose about \$150,000 in sales tax revenue, because revenue collected with the lower three percent sales tax rate in those zones is allocated to the zones, not the State. Under the urban enterprise zone program, the sales tax revenue allocated to each local zone is scheduled to decrease over a 20 year period, so the losses the zones would experience due to this bill would also decrease in future years.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.