

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2596

STATE OF NEW JERSEY

DATED: FEBRUARY 3, 1997

The Assembly Appropriations Committee reports favorably Assembly Bill No. 2596.

Assembly Bill No. 2596 removes the exemption for the retail sale of boats and marine products, as defined pursuant to the "New Jersey Boat Industry Loan Guarantee Fund Act," from the reduced sales tax provisions of the "New Jersey Enterprise Zones Act" and the reduced sales tax in Salem County.

The "New Jersey Boat Industry Loan Guarantee Fund Act," P.L.1993, c.358 (C.34:1B-7.28 et seq.), defines "boat" to mean 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.

The enterprise zone act and the reduced sales tax in Salem County both already exclude automobiles from sales that allow partial sales tax exemptions, to prevent unfair competition of those expensive items.

FISCAL IMPACT:

Under the bill, the sales tax on boats and marine products sold in urban enterprise zones and Salem County would increase from 3% to 6%, and those receipts in enterprise zones would cease to be part of the sales taxes allocated to enterprise zone accounts. Using national data proportionalized to New Jersey and the limited available data specifically concerning urban enterprise zone and Salem County sales receipts, it has been estimated that this bill could increase State sales tax revenues by \$300,000 annually; however, the urban enterprise zones would initially lose about \$150,000 in sales tax revenue. 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.