

LEGISLATIVE FISCAL ESTIMATE TO
ASSEMBLY, No. 2859
STATE OF NEW JERSEY

DATED: June 26, 1997

Assembly Bill No. 2859 of 1997 would exempt receipts from sales of coin-operated car wash facilities. The bill defines "coin-operated car wash" to mean the cleaning of a motor vehicle by the purchaser without any assistance from the vendor or employee of the vendor. Customers are required to insert currency into a receptacle to activate the timer mechanism that controls the flow of water with and without cleaning agents.

Traditionally, customers use quarters to activate the coin-operated mechanisms. A typical price charged to use a facility today can range from \$1.75 for 4 minutes to \$4.00 for 9 minutes of use. The New Jersey sales tax statute requires the tax to be charged on the total receipts of sales. Vendors can raise or lower prices by changing the stated unit price or by adjusting the length of time the equipment operates at a given price level.

The Office of Legislative Services (OLS) notes there are no precise data on the number of coin-operated car wash facilities in the State. The U.S. Department of Commerce in its publication "County Business Patterns" reports there were 443 car washes in New Jersey in 1994, the latest year for which public data are available. The report does not distinguish between drive through car washes, coin-operated washes, or car wash operations offering both types of services at the same location, or at separate locations. The New Jersey sales tax remittance forms are similar to the federal data collection system -- principal type of business. Thus any published data exclude car wash facilities that are ancillary to the primary business of a motorist services vendor.

The data that are available suggest the reporting car wash industry in the State has receipts ranging from \$115 million to \$150 million per year. If it is assumed the receipts represent total taxable sales, the sales tax revenue would range from \$6.9 million to \$9.0 million. The amount generated by the coin-operated component is some fraction of the total. A 25 percent assumption, for example, suggests the coin-operated segment should be remitting \$1.7 million to \$2.2 million of sales taxes.

The OLS comments that the precise loss of sales tax revenue, if the bill is enacted, will be greater than the loss attributable to car washes where the primary business is the operation of a car wash. This is due

to the numerous coin-operated car washes that are a small portion of the business of some motorist services vendors.

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.