

FISCAL NOTE TO
ASSEMBLY, No. 2873
STATE OF NEW JERSEY

DATED: OCTOBER 15, 1997

Assembly Bill No. 2873 of 1997 would provide New Jersey public and private school teachers and teaching staff members a sales tax exemption for the purchase of a home computer, personal computer, laptop computer, auxiliary hardware, and educational software. The Director of the Division of Taxation will prescribe rules and regulations, in consultation with the Commissioner of Education concerning these purchases, such as requiring stores to maintain a record of the exempt sales on prescribed forms.

The Division of Taxation estimates an ongoing annual revenue loss to the State in the range of \$20 million to as high as \$150 million. The low end of the estimate is based on 200,000 teachers and staff purchasing a computer for \$2,500 and software for \$2,500 every three years. The division stated for the high end of the range that without proper controls, more than 500,000 computers and software components could be purchased yearly by teachers and teaching staff for an annual revenue loss of \$150 million. The division's high end estimate assumes that every personal computer purchased in the state would be exempt under this bill.

The Office of Legislative Services (OLS) does not concur with the estimated revenue loss. According to the Department of Education there are approximately 111,000 certificated public school teachers and teaching staff, and according to the Digest of Education Statistics 1996, there are approximately 14,000 private school teachers, for a total of 125,000 possible purchasers. The OLS agrees with the assumed computer cost of \$2,500; however, a \$750 software purchase seems more reasonable, with a possible supplemental software purchase for a total of \$3,500 to \$4,250 every three to four years. This would amount to approximately \$8.75 million to \$10 million annually in lost revenue. Proper control through rules and regulations should curb any abuse of these purchases and assist in compliance of the law.

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