

FISCAL NOTE TO  
ASSEMBLY, No. 2968  
**STATE OF NEW JERSEY**

DATED: OCTOBER 30, 1997

Assembly Bill No. 2968 of 1997 authorizes any municipality which has established a special improvement district or a municipality with an abandoned or closed mine or quarry to designate all or a portion of that district which contains a significant number of retail businesses or services as a "downtown business improvement zone." Municipalities with designated urban enterprise zones will not be eligible to designate a "downtown business improvement zone" pursuant to this bill.

An eligible municipality would receive a declining share of the sales tax proceeds over a 15 year period to be set aside in a newly created downtown business improvement fund to be used for projects to further public improvement in the zone. In the first five years following designation, a municipality would receive 1/6 of all sales tax revenues generated but not more than \$100,000 per year. In the next five-year period, 2/18 of the sales tax, but not more than \$50,000 per year, and in the third five-year period, 1/18 of all sales tax revenue but not more than \$25,000 per year. The State Treasurer would be the repository for all moneys. To receive funding, the municipality's governing body or the administering entity would be required to develop a proposal and submit it to the Department of Community Affairs for evaluation and approval.

The Division of Taxation in the Department of Treasury has estimated a loss of sales tax revenue to the State. By using the maximum annual amounts allowed per zone, the potential loss to the State, if each of the 25 zones eligible under the bill had annual total retail sales, subject to the sales and use tax, of at least \$10,000,000, the loss would equal \$2.5 million per year or \$12.5 million for the first five years; \$1.25 million per year or \$6.25 million during the second five-year period; and \$625,000 per year or \$3.125 million for the third five-year period. If any zone has sales below \$10,000,000, the cost to the State would be reduced. The division noted that one zone may not generate enough sales tax for the upper limit provision in the bill.

The Office of Legislative Services concurs with the division, but notes that as additional zones become eligible, the estimated revenue loss would increase.

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