

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### SENATE, No. 142

# STATE OF NEW JERSEY

DATED: JANUARY 29, 1996

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 142 of 1996.

Senate Bill No. 142 provides a sales tax exemption for imprinting services performed on production machinery.

Currently, sales of machinery, apparatus and equipment used directly and primarily in the production of tangible personal property is exempt from the sales and use tax while sales of fabricating, processing, installation and maintenance services to that production machinery are taxable. This bill provides an exemption for one of those currently taxable services: imprinting services. Imprinting services for production machinery are, for example, the engraving and etching services to printing machinery used in the production of patterned textiles and wall and floor coverings.

This bill was prefiled in the 1996-97 Legislative Session pending technical review. As reported, the bill includes changes required by technical review which has been performed.

#### FISCAL IMPACT

In a fiscal note prepared by the Office of Legislative Services on an identical version of this bill in the 1994-95 Legislative Session, the Division of Taxation estimated that losses to State revenues would be \$1 million in FY1997. With little current data available, this estimate was calculated using data from the Census of Manufacturers for 1982 and 1987. In 1982, the sales of imprinting services in New Jersey were reported to be \$9 million, and in 1987 sales had grown 44 percent to \$13 million. By assuming an identical 44 percent growth since 1987, the division calculated that sales had grown to \$18 million of which \$1.1 million is collected in sales and use taxes (based on a 6 percent rate).

The Office of Legislative Services (OLS) was able to replicate the method of analysis performed by the division and generally concurred with its accuracy. Nevertheless, OLS cautions that the division's growth estimate of 44 percent between 1988 and the present for the industry is too optimistic. Therefore, OLS believes that the imprinting services industry in New Jersey did not grow at the robust rate indicated by the division's analysis, and as a result, the revenue loss will be less than their estimate suggests.