

# LEGISLATIVE FISCAL ESTIMATE TO

[First Reprint]  
**SENATE, No. 1843**

## **STATE OF NEW JERSEY**

DATED: MARCH 31, 1997

Senate Bill No. 1843 (1R) of 1997 authorizes any municipality which has established a special improvement district 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 district management corporation would be required to develop a proposal and send it to the Department of Community Affairs for evaluation and approval.

Neither the Department of Treasury nor the Department of Community Affairs has submitted any fiscal information on this bill. The Office of Legislative Services (OLS) indicates that without any specific sales tax data available on a town-by-town basis, it is not possible to determine the amount of sales tax revenue loss to the State and the off-setting revenue to specific municipalities. However, by using the maximum annual amounts allowed per zone, the OLS can estimate the maximum potential loss to the State and increased revenue to the eligible municipalities. There are 32 special improvement districts in the State, of which 7 are part of ineligible urban enterprise zone municipalities. If each of the 25 eligible zones has 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. While sales tax data are not available on a town-by-town basis, it does not seem likely

that each of the eligible downtown zones would be generating \$10,000,000 in taxable sales yearly. Additional zones may become eligible and affect these estimated amounts.

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.