

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2333

with Senate committee amendments

STATE OF NEW JERSEY

DATED: DECEMBER 15, 1997

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2333 with amendments.

Senate Bill No. 2333, as amended, exempts all municipal electric utilities and rural electrical cooperatives from the corporation business tax and exempts the sale of electricity by any municipal electric utility to customers within its municipal boundaries and sales by rural electric cooperatives from the sales and use tax. (The bill does not exempt the sale of electricity by a municipal authority to customers within the franchise area of another electric utility.)

As amended and reported, this bill is identical to Assembly Bill No. 8 (1R) (Murphy/Bagger).

COMMITTEE AMENDMENTS

The committee amended the bill to extend the sales tax exemption to rural electric cooperatives.

FISCAL IMPACT

The Office of Legislative Services estimates the enactment of the sales tax exemption for the municipal utility ultimately would cost the State approximately \$200,000 per year. The public utility tax changes that become effective January 1, 1998, pursuant to P.L.1997, c.162, provide for a "transitional energy facility assessment" (TEFA) that phases out after the year 2002. All utilities formerly subject to franchise and gross receipts taxes will be required to make TEFA remittances. As TEFA is phased out, the eventual \$200,000 sales tax loss would become evident in Fiscal Year 2001 and thereafter. Similarly, the sales tax exemption for rural electrical cooperatives would cost the State about \$1 million per year; combined revenue losses for fiscal years after 2001 would be about \$1.2 million per year.

The proposed corporation business tax exemption for municipal utilities and rural electric cooperatives is not expected to have any fiscal impact on the State.