

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### ASSEMBLY, No. 5121

# STATE OF NEW JERSEY

DATED: JUNE 22, 2021

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 5121.

This bill exempts the sale or use of energy utility service to qualifying recycled materials manufacturing facilities from the sales and use tax, for an initial period of seven years. The bill requires the Division of Taxation to annually review the economic feasibility of continuing to provide qualifying recycled materials manufacturing facilities with the exemption from the sales and use tax and to submit their recommendations to the Legislature as to whether such exemptions should be continued. The exemption established by the bill for recycled materials manufacturing facilities would continue until the Division of Taxation recommends the termination of the sales and use tax exemption. The exemption from the sales and use tax established by the bill is similar to the exemption provided under current law to certain recovered materials manufacturing facilities.

As reported, this bill is identical to Senate Bill No. 3287, as also reported by the committee.

#### FISCAL IMPACT:

The Office of Legislative Services (OLS) determines that the bill will result in an indeterminate annual State revenue loss by exempting, for an initial period of seven years, the sale or use of energy utility service to qualifying recycled materials manufacturing facilities from the sales and use tax. The OLS cannot determine the number of facilities conforming to the bill's stringent eligibility requirements. This restrictiveness, however, leads the OLS to estimate that few manufacturers may qualify for the sales and use tax exemption.

Any revenue loss would occur over seven years unless the exemption is extended, reflecting the bill's sunset provision. The beginning of the tax exemption period will be specified by the owner of a recycled materials manufacturing facility following consultation and filing of notice with the Division of Taxation. Certain provisions in the bill allow for the State to recover revenues in the event that a facility is relocated outside the State during the seven-year period.

The OLS determines that there will be a minimal impact to the division to annually review the economic feasibility of continuing to provide qualifying recycled materials manufacturing facilities with the exemption from the sales and use tax and to submit their

recommendations to the Legislature as to whether such exemptions should be continued. The OLS notes that the division already reviews the economic feasibility for providing this exemption for recovered materials manufacturing facilities, thus the OLS determines the annual review could be subsumed within existing duties of current staff.