

54:32B-2

LEGISLATIVE HISTORY CHECKLIST
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(Sales & use tax--decrease to 6%)

NJSA: 54:32B-2

LAWS OF: 1992 CHAPTER: 11

BILL NO: A1

SPONSOR(S): Catania

DATE INTRODUCED: February 3, 1992

COMMITTEE: ASSEMBLY: Appropriations; Policy & Rules
SENATE: Budget & Appropriations

AMENDED DURING PASSAGE: No

DATE OF PASSAGE: ASSEMBLY: March 23, 1992 Veto over-ridden
5-21-92
SENATE: April 2, 1992 Veto over-ridden
5-21-92

DATE OF APPROVAL: May 21, 1992

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: ASSEMBLY: Yes 3-16-92 & 2-13-92
SENATE: Yes

FISCAL NOTE: Yes

VETO MESSAGE: Yes

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

KBG:pp

P.L.1992, CHAPTER 11, passed May 21, 1992
1992 Assembly No. 1

1 AN ACT concerning the sales and use tax, lowering the rate of
2 tax, amending P.L.1966, c.30, and P.L.1980, c.105.

3

4 BE IT ENACTED by the Senate and General Assembly of the
5 State of New Jersey:

6 1. Section 3 of P.L.1966, c.30 (C.54:32B-3) is amended to read
7 as follows:

8 3. There is imposed and there shall be paid a tax of [7%] 6%
9 upon:

10 (a) The receipts from every retail sale of tangible personal
11 property, except as otherwise provided in this act. If the lessor
12 of tangible personal property purchased for lease elects to pay
13 tax on the amount of the sales price as provided in paragraph (2)
14 of subsection (bb) of section 2 of P.L.1966, c.30 (C.54:32B-2), any
15 and each subsequent lease or rental is a retail sale, and a
16 subsequent sale of such property is a retail sale.

17 (b) The receipts from every sale, except for resale, of the
18 following services:

19 (1) Producing, fabricating, processing, printing or imprinting
20 tangible personal property, performed for a person who directly
21 or indirectly furnishes the tangible personal property, not
22 purchased by him for resale, upon which such services are
23 performed.

24 (2) Installing tangible personal property, or maintaining,
25 servicing, repairing tangible personal property not held for sale in
26 the regular course of business, whether or not the services are
27 performed directly or by means of coin-operated equipment or by
28 any other means, and whether or not any tangible personal
29 property is transferred in conjunction therewith, except (i) such
30 services rendered by an individual who is engaged directly by a
31 private homeowner or lessee in or about his residence and who is
32 not in a regular trade or business offering his services to the
33 public, (ii) such services rendered with respect to personal
34 property exempt from taxation hereunder pursuant to section 13
35 of P.L.1980, c.105 (C.54:32B-8.1), (iii) (Deleted by amendment,
36 P.L.1990, c.40), (iv) any receipts from laundering, dry cleaning,
37 tailoring, weaving, pressing, shoe repairing and shoeshining and
38 (v) services rendered in installing property which, when installed,
39 will constitute an addition or capital improvement to real
40 property, property or land.

41 (3) Storing all tangible personal property not held for sale in
42 the regular course of business and the rental of safe deposit boxes
43 or similar space.

44 (4) Maintaining, servicing or repairing real property, other
45 than a residential heating system unit serving not more than
46 three families living independently of each other and doing their

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 cooking on the premises, whether the services are performed in
2 or outside of a building, as distinguished from adding to or
3 improving such real property by a capital improvement, but
4 excluding services rendered by an individual who is not in a
5 regular trade or business offering his services to the public, and
6 excluding garbage removal and sewer services performed on a
7 regular contractual basis for a term not less than 30 days.

8 (5) Advertising services, except advertising services for use
9 directly and primarily for publication in newspapers and
10 magazines and except for direct-mail advertising processing
11 services in connection with distribution to out-of-State
12 recipients.

13 (6) Advertising space in a telecommunications user or provider
14 directory or index distributed in this State.

15 Wages, salaries and other compensation paid by an employer to
16 an employee for performing as an employee the services
17 described in this subsection are not receipts subject to the taxes
18 imposed under this subsection (b).

19 Services otherwise taxable under paragraph (1) or (2) of this
20 subsection (b) are not subject to the taxes imposed under this
21 subsection, where the tangible personal property upon which the
22 services were performed is delivered to the purchaser outside this
23 State for use outside this State.

24 (c) Receipts from the sale of food and drink in or by
25 restaurants, taverns, vending machines or other establishments in
26 this State, or by caterers, including in the amount of such
27 receipts any cover, minimum, entertainment or other charge
28 made to patrons or customers:

29 (1) In all instances where the sale is for consumption on the
30 premises where sold;

31 (2) In those instances where the vendor or any person whose
32 services are arranged for by the vendor, after the delivery of the
33 food or drink by or on behalf of the vendor for consumption off
34 the premises of the vendor, serves or assists in serving, cooks,
35 heats or provides other services with respect to the food or drink,
36 except for meals especially prepared for and delivered to
37 homebound elderly, age 60 or older, and to disabled persons, or
38 meals prepared and served at a group-sitting at a location outside
39 of the home to otherwise homebound elderly persons, age 60 or
40 older, and otherwise homebound disabled persons, as all or part of
41 any food service project funded in whole or in part by government
42 or as part of a private, nonprofit food service project available to
43 all such elderly or disabled persons residing within an area of
44 service designated by the private nonprofit organization; and

45 (3) In those instances where the sale is for consumption off the
46 premises of the vendor, and consists of a meal, or food prepared
47 and ready to be eaten, of a kind obtainable in restaurants as the
48 main course of a meal, including a sandwich, except where food
49 other than sandwiches is sold in an unheated state and is of a type
50 commonly sold in the same form and condition in food stores
51 other than those which are principally engaged in selling prepared
52 foods;

53 (4) Sales of food and beverages sold through coin-operated
54 vending machines, at the wholesale price of such sale, which shall

1 be defined as 70% of the retail vending machine selling price,
 2 except sales of milk, which shall not be taxed. Nothing herein
 3 contained shall affect other sales through coin-operated vending
 4 machines taxable pursuant to subsection (a) above or the
 5 exemption thereto provided by section 21 of P.L.1980, c.105
 6 (C.54:32B-8.9).

7 The tax imposed by this subsection (c) shall not apply to food or
 8 drink which is sold to an airline for consumption while in flight.

9 (d) The rent for every occupancy of a room or rooms in a hotel
 10 in this State, except that the tax shall not be imposed upon (1) a
 11 permanent resident, or (2) where the rent is not more than at the
 12 rate of \$2.00 per day.

13 (e) (1) Any admission charge, where such admission charge is
 14 in excess of \$0.75 to or for the use of any place of amusement in
 15 the State, including charges for admission to race tracks,
 16 baseball, football, basketball or exhibitions, dramatic or musical
 17 arts performances, motion picture theatres, except charges for
 18 admission to boxing, wrestling, kick boxing or combative sports
 19 exhibitions, events, performances or contests which charges are
 20 taxed under any other law of this State or under section 20 of
 21 P.L.1985, c.83 (C.5:2A-20), and, except charges to a patron for
 22 admission to, or use of, facilities for sporting activities in which
 23 such patron is to be a participant, such as bowling alleys and
 24 swimming pools. For any person having the permanent use or
 25 possession of a box or seat or lease or a license, other than a
 26 season ticket, for the use of a box or seat at a place of
 27 amusement, the tax shall be upon the amount for which a similar
 28 box or seat is sold for each performance or exhibition at which
 29 the box or seat is used or reserved by the holder, licensee or
 30 lessee, and shall be paid by the holder, licensee or lessee.

31 (2) The amount paid as charge of a roof garden, cabaret or
 32 other similar place in this State, to the extent that a tax upon
 33 such charges has not been paid pursuant to subsection (c) hereof.

34 (f) The receipts from every sale, except for resale, of
 35 intrastate or interstate telecommunications charged to an
 36 address in this State, regardless of where the services are billed
 37 or paid.

38 (cf: P.L.1990, c.40, s.2)

39 2. Section 4 of P.L.1986, c.30 (C.54:32B-4) is amended to read
 40 as follows:

41 4. Tax bracket schedule. For the purpose of adding and
 42 collecting the tax imposed by this act, or an amount equal as
 43 nearly as possible or practicable to the average equivalent
 44 thereof, to be reimbursed to the vendor by the purchaser, the
 45 following [formulas] formula shall be in force and effect:

46	Amount of Sale	Amount of Tax
47	[\$0.01 to \$0.10	No tax
48	0.11 to 0.21	\$0.01
49	0.22 to 0.35	0.02
50	0.36 to 0.50	0.03
51	0.51 to 0.64	0.04
52	0.65 to 0.78	0.05
53	0.79 to 0.92	0.06
54	0.93 to \$1.00	0.07]

1	<u>\$0.01 to \$0.10</u>	<u>No Tax</u>
2	<u>0.11 to 0.22</u>	<u>\$0.01</u>
3	<u>0.23 to 0.38</u>	<u>0.02</u>
4	<u>0.39 to 0.58</u>	<u>0.03</u>
5	<u>0.57 to 0.72</u>	<u>0.04</u>
6	<u>0.73 to 0.88</u>	<u>0.05</u>
7	<u>0.89 to \$1.10</u>	<u>0.06</u>

8
9 In addition to a tax of [\$0.07] \$0.06 on each full dollar, a tax
10 shall be collected on each part of a dollar in excess of a full
11 dollar, in accordance with the [following] above formula [:

12	Amount of Sale	Amount of Tax
13	\$0.01 to \$0.07	No additional tax
14	0.08 to 0.21	\$0.01
15	0.22 to 0.35	0.02
16	0.36 to 0.50	0.03
17	0.51 to 0.64	0.04
18	0.65 to 0.78	0.05
19	0.79 to 0.92	0.06
20	0.93 to \$1.07	0.07].

21 (cf: P.L.1990, c.40, s.3)

22 3. Section 5 of P.L.1986, c.30 (C.54:32B-5) is amended to read
23 as follows:

24 5. Transitional provisions. a. (1) Except as otherwise
25 provided in this act, receipts received from all sales made and
26 services rendered on and after January 3, 1983 but prior to July
27 1, 1990, are subject to the taxes imposed under subsections (a),
28 (b), (c), and (f) of section 3 of this act at the rate, if any, in
29 effect for such sales and services on June 30, 1990, except if the
30 property so sold is delivered or the services so sold are rendered
31 on or after July 1, 1990 but prior to July 1, 1992, in which case
32 the tax shall be computed and paid at the rate of 7%; provided,
33 however, that if a service or maintenance agreement taxable
34 under this act covers any period commencing on or after January
35 3, 1983 and ending after June 30, 1990 but prior to July 1, 1992,
36 the receipts from such agreement are subject to tax at the rate,
37 if any, applicable to each period as set forth hereinabove and
38 shall be apportioned on the basis of the ratio of the number of
39 days falling within each of the said periods to the total number of
40 days covered thereby.

41 (2) Except as otherwise provided in this act, receipts received
42 from all sales made and services rendered on and after July 1,
43 1990 but prior to July 1, 1992, are subject to the taxes imposed
44 under subsections (a), (b), (c) and (f) of section 3 of this act at the
45 rate of 7%, except if the property so sold is delivered or the
46 services so sold are rendered on or after July 1, 1992, in which
47 case the tax shall be computed and paid at the rate of 6%,
48 provided, however, that if a service or maintenance agreement
49 taxable under this act covers any period commencing on or after
50 July 1, 1990, and ending after July 1, 1992, the receipts from
51 such agreement are subject to tax at the rate applicable to each
52 period as set forth hereinabove and shall be apportioned on the
53 basis of the ratio of the number of days falling within each of the
54 said periods to the total number of days covered thereby.

1 b. (1) The tax imposed under subsection (d) of section 3 shall
2 be paid at the rate of 7% upon any occupancy on and after July 1,
3 1990 but prior to July 1, 1992, although such occupancy is
4 pursuant to a prior contract, lease or other arrangement. If an
5 occupancy, taxable under this act, covers any period on or after
6 January 3, 1983 but prior to July 1, 1990, the rent for the period
7 of occupancy prior to July 1, 1990 shall be taxed at the rate of
8 6%. If rent is paid on a weekly, monthly or other term basis, the
9 rent applicable to each period as set forth hereinabove shall be
10 apportioned on the basis of the ratio of the number of days falling
11 within each of the said periods to the total number of days
12 covered thereby.

13 (2) The tax imposed under subsection (d) of section 3 shall be
14 paid at the rate of 6% upon any occupancy on and after July 1,
15 1992, although such occupancy is pursuant to a prior contract,
16 lease or other arrangement. If an occupancy, taxable under this
17 act, covers any period on or after July 1, 1990 but prior to July 1,
18 1992, the rent for the period of occupancy prior to July 1, 1992
19 shall be taxed at the rate of 7%. If rent is paid on a weekly,
20 monthly or other term basis, the rent applicable to each period as
21 set forth hereinabove shall be apportioned on the basis of the
22 ratio of the number of days falling within each of the said periods
23 to the total number of days covered thereby.

24 c. (1) Except as otherwise hereinafter provided, the tax
25 imposed under subsection (e) of section 3 shall be applicable at
26 the rate of 7% to any admission to or for the use of facilities of a
27 place of amusement occurring on or after July 1, 1990 but prior
28 to July 1, 1992, whether or not the admission charge has been
29 paid prior to [that date] July 1, 1990, unless the tickets were
30 actually sold and delivered, other than for resale, prior to July 1,
31 1990 and the tax imposed under this act during the period January
32 3, 1983 through June 30, 1990 shall have been paid.

33 (2) Except as otherwise hereinafter provided, the tax imposed
34 under subsection (e) of section 3 shall be applicable at the rate of
35 6% to any admission to or for the use of facilities of a place of
36 amusement occurring on or after July 1, 1992, whether or not the
37 admission charge has been paid prior to that date, unless the
38 tickets were actually sold and delivered, other than for resale,
39 prior to July 1, 1992 and the tax imposed under this act during
40 the period July 1, 1990 through December 31, 1990 shall have
41 been paid.

42 d. (1) Sales made on and after July 1, 1990 but prior to July 1,
43 1992 to contractors, subcontractors or repairmen of materials,
44 supplies, or services for use in erecting structures for others, or
45 building on, or otherwise improving, altering or repairing real
46 property of others shall be subject to the taxes imposed by
47 subsections (a) and (b) of section 3 and section 6 hereof at the
48 rate of 7%; provided, however, that if such sales are made for use
49 in performance of a contract which is either of a fixed price not
50 subject to change or modification, or entered into pursuant to the
51 obligation of a formal written bid which cannot be altered or
52 withdrawn, and, in either case, such contract was entered into or
53 such bid was made on or after January 3, 1983 but prior to July 1,
54 1990, such sales shall be subject to tax at the rate of 6%, but the

1 vendor shall charge and collect from the purchaser a tax on such
2 sales at the rate of 7%.

3 (2) Sales made on or after July 1, 1992 to contractors,
4 subcontractors or repairmen of materials, supplies, or services
5 for use in erecting structures for others, or building on, or
6 otherwise improving, altering or repairing real property of others
7 shall be subject to the taxes imposed by subsections (a) and (b) of
8 section 3 and section 6 hereof at the rate of 6%; provided,
9 however, that if such sales are made for use in performance of a
10 contract which is either of a fixed price not subject to change or
11 modification, or entered into pursuant to the obligation of a
12 formal written bid which cannot be altered or withdrawn, and, in
13 either case, such contract was entered into or such bid was made
14 on or after July 1, 1990, but prior to July 1, 1992, such sales shall
15 be subject to tax at the rate of 7%.

16 e. As to sales other than those referred to in d. above, the
17 taxes imposed under subsections (a) and (b) of section 3 and
18 section 6 hereof, and the taxes imposed under subsection (f) of
19 section 3 and section 6 hereof, upon receipts received on or after
20 July 1, 1990 and on or before December 31, 1990, shall be at the
21 rate in effect on June 30, 1990, in case of sales made or services
22 rendered pursuant to a written contract entered on or after
23 January 3, 1983 but prior to July 1, 1990, and accompanied by a
24 deposit or partial payment of the contract price, except in the
25 case of a contract which, in the usage of trade, is not customarily
26 accompanied by a deposit or partial payment of the contract
27 price, but the vendor shall charge and collect from the purchaser
28 on such sales at the rate of 7%, which tax shall be reduced to the
29 rate, if any, in effect on June 30, 1990, only by a claim for refund
30 filed by the purchaser with the director within 90 days after
31 receipt of said receipts and otherwise pursuant to the provisions
32 of section 20 of P.L.1966, c.30 (C.54:32B-20). A claim for refund
33 shall not be allowed if there has been no deposit or partial
34 payment of the contract price unless the claimant shall establish
35 by clear and convincing evidence that, in the usage of trade, such
36 contracts are not customarily accompanied by a deposit or partial
37 payment of the contract price.

38 f. (1) The taxes imposed under subsections (a), (b), (c) and (f)
39 of section 3 upon receipts received on or after July 1, 1990 but
40 prior to July 1, 1992 shall be at the rate, if any, in effect on June
41 30, 1990 in the case of sales made or services rendered, if
42 delivery of the property which was the subject matter of the sale
43 has been completed or such services have been entirely rendered
44 prior to July 1, 1990.

45 (2) The taxes imposed under subsections (a), (b), (c) and (f) of
46 section 3 upon receipts received on or after July 1, 1992 shall be
47 at the rate of 7% in the case of sales made or services rendered,
48 where delivery of the property which was the subject matter of
49 the sale has been completed or such services have been entirely
50 rendered on or after July 1, 1990 but prior to July 1, 1992.

51 g. The director is empowered to promulgate rules and
52 regulations to implement the provisions of this section.
53 (cf: P.L.1990, c.40, s.4)

54 4. Section 6 of P.L.1966, c.30 (C.54:32B-6) is amended to read

1 as follows:
2 6. Imposition of compensating use tax. Unless property or
3 services have already been or will be subject to the sales tax
4 under this act, there is hereby imposed on and there shall be paid
5 by every person a use tax for the use within this State of [7%]
6 6%, except as otherwise exempted under this act, (A) of any
7 tangible personal property purchased at retail, (B) of any tangible
8 personal property manufactured, processed or assembled by the
9 user, if items of the same kind of tangible personal property are
10 offered for sale by him in the regular course of business, or if
11 items of the same kind of tangible personal property are not
12 offered for sale by him in the regular course of business and are
13 used as such or incorporated into a structure, building or real
14 property, (C) of any tangible personal property, however
15 acquired, where not acquired for purposes of resale, upon which
16 any taxable services described in paragraphs (1) and (2) of
17 subsection (b) of section 3 of P.L.1966, c.30 (C.54:32B-3) have
18 been performed, (D) of interstate or intrastate
19 telecommunications described in subsection (f) of section 3 of
20 P.L.1966, c.30, and (E) of advertising space in a
21 telecommunications user or provider directory or index. For
22 purposes of clause (A) of this section, the tax shall be at the
23 applicable rate, as set forth hereinabove, of the consideration
24 given or contracted to be given for such property or for the use
25 of such property, but excluding any credit for property of the
26 same kind accepted in part payment and intended for resale, plus
27 the cost of transportation, except where such cost is separately
28 stated in the written contract, if any, and on the bill rendered to
29 the purchaser. For the purposes of clause (B) of this section, the
30 tax shall be at the applicable rate, as set forth hereinabove, of
31 the price at which items of the same kind of tangible personal
32 property are offered for sale by the user, or if items of the same
33 kind of tangible personal property are not offered for sale by the
34 user in the regular course of business and are used as such or
35 incorporated into a structure, building or real property the tax
36 shall be at the applicable rate, as set forth hereinabove, of the
37 consideration given or contracted to be given for the tangible
38 personal property manufactured, processed or assembled by the
39 user into the tangible personal property the use of which is
40 subject to use tax pursuant to this section, and the mere storage,
41 keeping, retention or withdrawal from storage of tangible
42 personal property by the person who manufactured, processed or
43 assembled such property shall not be deemed a taxable use by
44 him. For purposes of clause (C) of this section, the tax shall be
45 at the applicable rate, as set forth hereinabove, of the
46 consideration given or contracted to be given for the service,
47 including the consideration for any tangible personal property
48 transferred in conjunction with the performance of the service,
49 plus the cost of transportation, except where such cost is
50 separately stated in the written contract, if any, and on the bill
51 rendered to the purchaser. For the purposes of clause (D) of this
52 section, the tax shall be at the applicable rate on the charge
53 made by the telecommunications service provider. For the
54 purposes of clause (E) of this section, the tax shall be at the

1 applicable rate on the charge made by the advertising space
2 provider.

3 (cf: P.L.1990, c.40, s.5)

4 5. Section 31 of P.L.1980, c.105 (C.54:32B-8.19) is amended to
5 read as follows:

6 31. Receipts from sales of tangible personal property and
7 services taxable under any municipal ordinance which was
8 adopted pursuant to P.L.1947, c.71 (C.40:48-8.15 et seq.) and was
9 in effect on April 27, 1966 are exempt from the tax imposed
10 under the Sales and Use Tax Act, subject to the following
11 conditions:

12 a. To the extent that the tax is or would be imposed under
13 section 3 of P.L.1986, c.30 (C.54:32B-3) is greater than the tax
14 imposed by such ordinance, such sales shall not be exempt under
15 this section; and

16 b. Irrespective of the rate of tax imposed by such ordinance,
17 such sales shall be exempt only to the extent that the rate of
18 taxation imposed by the ordinance exceeds 6%, except that the
19 combined rate of taxation imposed under the ordinance and under
20 this section shall not exceed [13%] 12%.

21 (cf: P.L.1990, c.40, s.7)

22 6. This act shall take effect immediately but remain
23 inoperative until July 1, 1992.

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26 STATEMENT

27

28 This bill reduces the sales and use tax rate from 7% to 6% on
29 July 1, 1992.

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34 Reduces the sales and use tax rate from 7% to 6% on July 1, 1992.

1 keeping, retention or withdrawal from storage of tangible
2 personal property by the person who manufactured, processed or
3 assembled such property shall not be deemed a taxable use by
4 him. For purposes of clause (C) of this section, the tax shall be
5 at the applicable rate, as set forth hereinabove, of the
6 consideration given or contracted to be given for the service,
7 including the consideration for any tangible personal property
8 transferred in conjunction with the performance of the service,
9 plus the cost of transportation, except where such cost is
10 separately stated in the written contract, if any, and on the bill
11 rendered to the purchaser. For the purposes of clause (D) of this
12 section, the tax shall be at the applicable rate on the charge
13 made by the telecommunications service provider. For the
14 purposes of clause (E) of this section, the tax shall be at the
15 applicable rate on the charge made by the advertising space
16 provider.

17 (cf: P.L.1990, c.40, s.5)

18 5. Section 31 of P.L.1980, c.105 (C.54:32B-8.19) is amended to
19 read as follows:

20 31. Receipts from sales of tangible personal property and
21 services taxable under any municipal ordinance which was
22 adopted pursuant to P.L.1947, c.71 (C.40:48-8.15 et seq.) and was
23 in effect on April 27, 1966 are exempt from the tax imposed
24 under the Sales and Use Tax Act, subject to the following
25 conditions:

26 a. To the extent that the tax is or would be imposed under
27 section 3 of P.L.1966, c.30 (C.54:32B-3) is greater than the tax
28 imposed by such ordinance, such sales shall not be exempt under
29 this section; and

30 b. Irrespective of the rate of tax imposed by such ordinance,
31 such sales shall be exempt only to the extent that the rate of
32 taxation imposed by the ordinance exceeds 6%, except that the
33 combined rate of taxation imposed under the ordinance and under
34 this section shall not exceed [13%] 12%.

35 (cf: P.L.1990, c.40, s.7)

36 6. This act shall take effect immediately but remain
37 inoperative until July 1, 1992.

38

39

40 STATEMENT

41

42 This bill reduces the sales and use tax rate from 7% to 6% on
43 July 1, 1992.

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46

47

48 Reduces the sales and use tax rate from 7% to 6% on July 1, 1992.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1

STATE OF NEW JERSEY

DATED: MARCH 16, 1992

The Assembly Appropriations Committee reports favorably Assembly Bill No. 1.

Assembly Bill No. 1 reduces the sales and use tax rate from 7 percent to 6 percent, effective July 1, 1992. This bill will also establish language for transitional regulations and procedures to assure the proper collection of the correct tax at the time of the rate change.

Additionally, the bill amends section 31 of P.L.1980, c.105 (C.54:32B-8.19) to assure continuity in the rate of the Atlantic City luxury sales tax.

This bill was reported from the Assembly Policy and Rules Committee on February 13, 1992 and then second referenced to this committee.

FISCAL IMPACT:

The Governor's FY 1993 budget document projects sales tax receipts of \$4.255 billion. At this level, a one percentage point reduction in the tax rate would equate to a revenue loss of approximately \$608 million. The actual loss could be slightly less or more than this amount.

ASSEMBLY POLICY AND RULES COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1

STATE OF NEW JERSEY

DATED: FEBRUARY 13, 1992

The Assembly Policy and Rules Committee reports Assembly Bill No.1, favorably.

Assembly Bill 1 amends sections 3, 4, 5, and 6 of P.L.1966, c.30 (C.54:32B-3 through C.54:32B-6, inclusive) to reduce the "sales and use tax" rate from 7% to 6%, effective July 1, 1992, and to establish transitional regulations and procedures to assure the proper collection of the correct tax at the time of the rate change.

The bill also amends section 31 of P.L.1980, c.105 (C.54:32B-8.19) to assure continuity in the rate of the Atlantic City luxury sales tax.

It is the committee's recommendation that Assembly Bill No.1 be second referenced to the Assembly Appropriations Committee for fiscal review and consideration.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1

STATE OF NEW JERSEY

DATED: MARCH 30, 1992

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 1.

Assembly Bill No. 1 reduces the sales and use tax rate from 7 percent to 6 percent, effective July 1, 1992. This bill will also establish language for transitional regulations and procedures to assure the proper collection of the correct tax at the time of the rate change.

Additionally, the bill amends section 31 of P.L.1980, c.105 (C.54:32B-8.19) to assure continuity in the rate of the Atlantic City luxury sales tax.

This bill is identical to Senate Bill No. 1.

FISCAL IMPACT:

The Governor's FY 1993 budget document projects sales tax receipts of \$4.255 billion. The Office of Legislative Services projects FY 1993 sales tax receipts of \$4.175 billion. At those levels, a one percentage point reduction in the tax rate would equate to a revenue loss of approximately \$600 million.

FISCAL NOTE TO
ASSEMBLY, No. 1
STATE OF NEW JERSEY

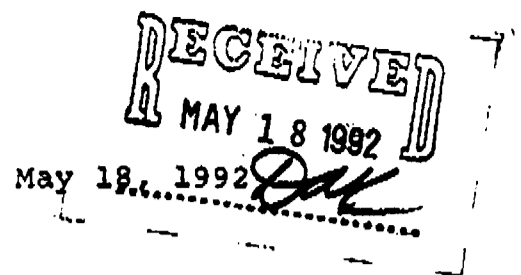
DATED: March 25, 1992

Assembly Bill No. 1 of 1992 reduces the sales and use tax rate from 7 percent to 6 percent effective July 1, 1992. The bill also contains transitional provisions to assure that the correct tax amount is charged on transactions occurring at the time of the rate change.

The Division of Taxation in the Department of the Treasury estimates a loss of sales tax revenue to the State of \$608 million in FY 1993. This represents one-seventh of the anticipated FY 1993 tax yield of \$4.256 billion at the current 7 percent rate. The division expects the FY 1994 loss to increase by 5 percent to \$638 million.

The Office of Legislative Services (OLS) concurs with the general magnitude of these estimates at this time. The FY 1993 loss could vary slightly, depending on final collections for the current (FY 1992) fiscal year and alternative economic growth projections for next year's sales tax revenues. The division's estimate for FY 1994 is more speculative, as is any outyear tax projection. The 5 percent growth factor is essentially the same growth rate the Executive is suggesting for FY 1993 as well.

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

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ASSEMBLY BILL NO. 1

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14 of the Constitution, I am returning Assembly Bill No. 1 with my suggestions for reconsideration.

I would like nothing better than to sign this bill today, but I cannot blindly sign a \$600 million cut. Before the Legislature passed this bill, I expressed my support for reducing the sales tax. But I also said that I wanted to see the Legislature's plan for making up the \$600 million shortfall this bill would cause. It is impossible to responsibly judge such a significant revenue loss without knowing what vital programs the Legislature intends to sacrifice. And it is impossible for me to tell the citizens of this State how this bill will affect them if I sign it today.

I was hopeful when this bill was passed that the Legislature would present its plan before the period expired for me to take action. I promised that I would review that plan, and that if it was acceptable -- if it was consistent with our most important obligations to the citizens of this State -- I would sign it.

Unfortunately, the Legislature has failed to reveal what it intends to do. It has failed to indicate -- either by passing a budget, or by communicating to the people -- how it intends to responsibly address a \$600 million loss in revenue. It has failed to reveal how it intends to produce a budget that is fiscally sound and which continues to invest wisely and efficiently in the State's social and economic future. Last week I met with Senate President DiFrancesco and Assembly Speaker Haytaian, and I asked them once again to disclose what they intended to do. They informed me that they will reveal their plan in June.

By failing to disclose its intentions, the Legislature has asked me to sign this bill in the dark, without knowing whether the result of my action will be fiscal chaos, higher transit fares, higher college tuitions, higher property taxes, reductions in programs to

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protect the environment, disruptions in government services, or reductions in law enforcement. By failing to disclose its plan, the Legislature has therefore put us in a difficult position. The citizens of this State want tax relief, yes, but they demand -- and deserve -- an answer to one simple question: who gets hurt? They have a right to know. The Legislature has an obligation to tell us. That is the least it should do.

As I indicated in my budget message to the Legislature in January, I share the Legislature's desire to reduce the tax burden on our citizens by reducing the sales tax. We had to raise the sales tax to 7% in 1990 to balance the budget, after inheriting a deficit that was compounded by the onset of what has become the longest national recession since the Great Depression. As desirable as a rollback might appear, it would be irresponsible of us to reduce this tax now, before we know the consequences of that action. Because the Legislature has failed to reveal its plan for presenting a sound and balanced budget, I simply cannot conclude that now is the time to reduce this tax.

This bill would reduce the sales tax in New Jersey from 7% to 6%, effective July 1, 1992, the first day of the next fiscal year. If enacted as written, this bill would eliminate over \$600 million in recurring revenue for the upcoming fiscal year, as well as for future fiscal years. In order for the Legislature to present me with a balanced FY 93 budget -- as it is constitutionally required to do -- the Legislature must make up this difference, either through new revenues, or through substantial cuts in government services. Nowhere does this bill indicate what the Legislature intends to do.

In recent weeks, in face-to-face discussions across this State, our citizens have asked me again and again whether the government understands the depth of the problems they see every day in our towns, in our neighborhoods, and in our schools. The citizens of this State want action: to make our neighborhoods safe and secure;

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to make this State's educational system work for our children; to ensure that the only qualification for realizing the dream of a college education is the ability to learn, not the ability to pay; to protect our cherished environment from those who would squander it; to mend our infrastructure; to keep property taxes down; and to provide care for our sick, our disabled, and our children.

In responding to this urgent call for action, we must carefully balance the desire to reduce government services against the pressing need to invest now in the State's future. And we must resist the seductive idea that we can achieve these goals without making choices.

Without knowing how the Legislature intends to bridge the gap this rollback will create, I cannot sign this bill today. As Governor, therefore, I am returning this bill to the Legislature and recommending that it allow this sales tax reduction to take effect only when a budget is enacted that meets a few basic standards.

First, and foremost, that budget must be balanced with an appropriate operating surplus. I cannot tolerate any action that would undermine the solvency of this State, or which would jeopardize this State's excellent bond rating.

Second, that budget must contain full funding -- as recommended in my FY 93 budget message -- for items that represent some of this State's most important commitments. They include: aid to our school districts, because we must continue our efforts to fulfill our educational promises to our children; tuition stabilization, because we must keep the doors to higher education open to all who have the ability to succeed; homestead rebates, because it would be unfair to shift this sales tax reduction onto the backs of homeowners; aid to New Jersey Transit, because our economy and our environment depend upon an affordable system of public transportation; shore protection, because we cannot delay our response to this profound environmental need; and support to children, the blind, the physically disabled, and other vulnerable citizens of this State who deserve to live their lives with dignity and self-respect.

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The action I take today would allow the reduction in the sales tax to take place. The Legislature need only concur in my recommendations, and then consider the rollback as it deliberates over next year's budget. If it produces a budget that is balanced, which respects the recommendations I have made, and which does not undermine the State's fundamental obligations, then I will sign that budget, and the sales tax will be reduced to 6%.

One note of caution. In reacting to this message, I urge the Legislature to consider these concerns carefully and not rush headlong into action simply to vindicate a political pledge. I urge caution because I believe that the sales tax reduction should not be considered in a vacuum, but in the context of the entire budget process and human agenda for our State.

Therefore, I herewith return Assembly Bill No. 1 and recommend that it be amended as follows:

Page 8, Section 6 Lines 36-37: After "effect" delete in its entirety and insert "upon the enactment of an annual appropriations act for the fiscal year commencing July 1, 1992 that:

(a) Provides for a balanced budget within the revenues certified by the Governor, with positive balances in the General Fund, the Property Tax Relief Fund, and the Casino Revenue Fund, including \$226,000,000 in the General Fund;

(b) Includes a State aid appropriation of \$6,243,714,000, including the following items:

- (1) School aid at \$4,585,636,000;
- (2) Municipal aid at \$947,000,000;
- (3) County College aid at \$107,488,000;
- (4) Economic assistance to children at \$266,000,000;
- (5) Economic assistance to the aged, blind, and disabled at \$49,000,000;

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(c) Includes a Grant-in-Aid appropriation of \$3,852,690,000, including the following items of appropriation:

- (1) Property tax rebates or credits at \$685,000,000;
- (2) Medical assistance to children, the aged, the blind, and the disabled at \$1,646,800,000;
- (3) Community care programs for children, the developmentally disabled, the mentally ill at \$504,093,000;
- (4) Tuition aid assistance, tuition stabilization, and other aid to colleges and universities at \$205,871,000;
- (5) Aid to New Jersey Transit at \$277,200,000;
- (6) State prisoners at county correctional facilities at \$73,815,000;

(d) Maintains the following programs operated by the State:

- (1) Operations of institutions for the developmentally disabled and the mentally ill at \$480,381,000;
- (2) Operation of Correctional facilities at \$561,100,000;
- (3) Operation of State colleges and universities at \$703,192,000;
- (4) Operation of nursing homes for veterans at \$40,311,000;

(e) Includes funding for State debt service;

(f) Provides State funding for federally mandated programs, including social security;

(g) Provides appropriations for shore protection of \$15,000,000;

(h) And, further, that upon receiving the Fiscal Year 1993 Appropriations Act from the Legislature, the Director of the Division of Budget and Accounting certifies to the Governor and to the Legislature in writing within 10 days after the enactment of the fiscal year 1993 Appropriations Act into law that the act conforms to each of these conditions."

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Page 8: Add new section 7 to read:

"7. Provided, further, that this act shall remain inoperative until July 1, 1992, or until the delivery of the certification by the Director of the Division of Budget and Accounting as provided above, whichever shall later occur."

Respectfully,

/s/ James J. Florio

GOVERNOR

[seal]

Attest:

/s/ M. Robert DeCotiis

Chief Counsel to the Governor