

54:32E-2

LEGISLATIVE HISTORY CHECKLIST

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LAWS OF: 2011 **CHAPTER:** 189
NJSA: 54:32E-2 (Phases our cosmetic medical procedure gross receipts tax)
BILL NO: S1988 (Substituted for A2841)
SPONSOR(S) Sarlo and others
DATE INTRODUCED: May 27, 2010
COMMITTEE: **ASSEMBLY:** Appropriations
SENATE: Budget and Appropriations

AMENDED DURING PASSAGE: Yes

DATE OF PASSAGE: **ASSEMBLY:** January 9, 2012
SENATE: January 9, 2012

DATE OF APPROVAL: January 17, 2012

FOLLOWING ARE ATTACHED IF AVAILABLE:

FINAL TEXT OF BILL (Second Reprint enacted)

S1988

SPONSOR'S STATEMENT: (Begins on page 2 of introduced bill)	Yes
COMMITTEE STATEMENT:	ASSEMBLY: Yes
	SENATE: Yes

(Audio archived recordings of the committee meetings, corresponding to the date of the committee statement, **may possibly** be found at www.njleg.state.nj.us)

FLOOR AMENDMENT STATEMENT:	Yes
LEGISLATIVE FISCAL NOTE:	Yes
LEGISLATIVE FISCAL ESTIMATE:	Yes

A2841

SPONSOR'S STATEMENT: (Begins on page 2 of introduced bill)	Yes
COMMITTEE STATEMENT:	ASSEMBLY: No
	SENATE: No
FLOOR AMENDMENT STATEMENT:	No

(continued)

LEGISLATIVE FISCAL NOTE:

No

VETO MESSAGE:

No

GOVERNOR'S PRESS RELEASE ON SIGNING:

No

FOLLOWING WERE PRINTED:

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REPORTS:

No

HEARINGS:

No

NEWSPAPER ARTICLES:

No

LAW/KR

P.L.2011, CHAPTER 189, *approved January 17, 2012*

Senate, No. 1988 (*Second Reprint*)

1 AN ACT phasing out the cosmetic medical procedure gross receipts
2 tax, supplementing P.L.2004, c.53 (C.54:32E-1 et seq.).
3

4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:
6

7 1. Notwithstanding the provisions of section 1 of P.L.2004,
8 c.53 (C.54:32E-1), the tax which shall be paid pursuant to P.L.2004,
9 c.53 (C.54:32E-1 et seq.) shall be imposed:

10 (1) at the rate of 4% on the gross receipts from a cosmetic
11 medical procedure performed on or after ¹**[July 1, 2010]** ²**[the first**
12 **day of the calendar quarter beginning after the date of enactment of**
13 **P.L. , c. (pending before the Legislature as this bill)]**¹ but
14 before² July 1, ¹**[2011]** 2012¹ ²**but before July 1, 2013**²,

15 (2) at the rate of 2% on the gross receipts from a cosmetic
16 medical procedure performed on or after July 1, ¹**[2011]** ²**[2012**¹
17 **2013**² but before July 1, ¹**[2012]** ²**[2013**¹
18 **2014**² , and

19 (3) at the rate of 0% on the gross receipts from a cosmetic
20 medical procedure performed on or after July 1, ¹**[2012]** ²**[2013**¹
21 **2014**².

22 2. This act shall take effect immediately.
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27 Phases out cosmetic medical procedure gross receipts tax.

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.

Matter enclosed in superscript numerals has been adopted as follows:

¹Senate SBA committee amendments adopted September 22, 2011.

²Assembly floor amendments adopted January 9, 2012.

SENATE, No. 1988

STATE OF NEW JERSEY
214th LEGISLATURE

INTRODUCED MAY 27, 2010

Sponsored by:

Senator PAUL A. SARLO

District 36 (Bergen, Essex and Passaic)

Senator JOSEPH M. KYRILLOS, JR.

District 13 (Middlesex and Monmouth)

Co-Sponsored by:

Senator Oroho

SYNOPSIS

Phases out cosmetic medical procedure gross receipts tax over three-year period.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT phasing out the cosmetic medical procedure gross receipts
2 tax, supplementing P.L.2004, c.53 (C.54:32E-1 et seq.).

3

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

6

7 1. Notwithstanding the provisions of section 1 of P.L.2004, c.53
8 (C.54:32E-1), the tax which shall be paid pursuant to P.L.2004, c.53
9 (C.54:32E-1 et seq.) shall be imposed: (1) at the rate of 4% on the
10 gross receipts from a cosmetic medical procedure performed on or
11 after July 1, 2010 but before July 1, 2011, (2) at the rate of 2% on
12 the gross receipts from a cosmetic medical procedure performed on
13 or after July 1, 2011 but before July 1, 2012, and (3) at the rate of
14 0% on the gross receipts from a cosmetic medical procedure
15 performed on or after July 1, 2012.

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17 2. This act shall take effect immediately.

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19

20

STATEMENT

21

22 This bill phases out the cosmetic medical procedure gross
23 receipts tax beginning July 1, 2010. Under its provisions, the six
24 percent rate of tax currently imposed on the gross receipts from
25 cosmetic medical procedures is reduced by two percent per year
26 over a three-year period: (1) on or after July 1, 2010 but before
27 July 1, 2011 the rate of tax imposed will be 4%, (2) on or after July
28 1, 2011 but before July 1, 2012 the rate of tax imposed will be 2%,
29 and (3) on or after July 1, 2012 the rate of tax will be 0%.

30 The gross receipts tax is a State tax imposed on the purchase of
31 cosmetic medical procedures. The tax applies to all amounts paid
32 for services and all amounts paid for any property or occupancy
33 required for or associated with the performance of a cosmetic
34 medical procedure. It is paid by the subject and collected by
35 persons responsible for billing the procedure.

36 Under current law, a cosmetic medical procedure is any medical
37 procedure performed on an individual which is directed at
38 improving the procedure subject's appearance and which does not
39 meaningfully promote the proper function of the body or prevent or
40 treat illness or disease. Examples of taxable procedures include
41 cosmetic surgery, hair transplants, cosmetic injections, cosmetic
42 soft tissue fillers, dermabrasion and chemical peel, laser hair
43 removal, laser skin resurfacing, laser treatment of leg veins,
44 sclerotherapy, and cosmetic dentistry.

45 The phase-out provided by the bill is intended to gradually
46 alleviate the financial and administrative burdens associated with
47 the tax. Since the gross receipts tax was imposed in 2004, the tax
48 has increased overall costs for recipients of cosmetic medical

S1988 SARLO, KYRILLOS

3

- 1 procedures, and imposed an administrative burden on the medical
- 2 offices billing the procedures and the State agencies responsible for
- 3 administration and enforcement of the tax.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 1988

with committee amendments

STATE OF NEW JERSEY

DATED: SEPTEMBER 22, 2011

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1988, with committee amendments.

As amended, this bill phases out the cosmetic medical procedure gross receipts tax over three steps beginning on the first day of the first calendar quarter starting after the date of enactment. Under the bill, as amended, the six percent rate of tax currently imposed on the gross receipts from cosmetic medical procedures is (1) reduced to a 4% rate starting with the first calendar quarter beginning after the date of enactment; (2) reduced to a 2% rate from July 1, 2012 until July 1, 2013, and (3) and starting July 1, 2013 the rate of tax will be 0%, effectively ending the tax.

The cosmetic medical procedures gross receipts tax is a State tax imposed on the purchase of cosmetic medical procedures. The tax applies to amounts paid for services and for any property or occupancy required for, or associated with, the performance of a cosmetic medical procedure, and is paid by the subject of the procedure and collected by persons responsible for billing the services. The tax shall be reported and paid to the Director of the Division of Taxation on a quarterly basis.

Under current law, a cosmetic medical procedure is any medical procedure performed on an individual which is directed at improving the procedure subject's appearance and which does not meaningfully promote the proper function of the body or prevent or treat illness or disease. Examples of taxable procedures include cosmetic surgery, hair transplants, cosmetic injections, cosmetic soft tissue fillers, dermabrasion and chemical peel, laser hair removal, laser skin resurfacing, laser treatment of leg veins, sclerotherapy, and cosmetic dentistry.

The phase-out provided by the bill will gradually alleviate the financial and administrative burdens associated with the tax. Since the gross receipts tax was imposed in 2004, the tax has increased overall costs for recipients of cosmetic medical procedures, and imposed an administrative burden on the medical offices billing the procedures and the State agencies charged with the administration and enforcement of the tax.

COMMITTEE AMENDMENTS

The committee amendments update the start of a three step tax rate reduction to begin on the first day of the first calendar quarter starting after the date of enactment instead of from July 1, 2010, the start date in the bill as originally introduced in May, 2010. The current 6% rate will be reduced to 4% on the first day of the first calendar quarter starting after the date of enactment, to 2% on July 1, 2012, and to 0% on July 1, 2013, effectively ending the tax on July 1, 2013.

FISCAL IMPACT:

The Office of Legislative Services (OLS) notes that the cosmetic medical procedure gross receipts tax collections account recorded under the New Jersey Centralized Financial System for Fiscal Year 2011 shows that the accounting system recorded \$10.8 million from the tax for that past fiscal year. Presuming that annual revenue collections are otherwise stable, and the reduction date starts on January 1, 2012, the initial rate reduction will produce a revenue loss of about \$1.8 million during Fiscal Year 2012; the second rate reduction combined with the first rate reduction will produce a cumulative revenue loss of \$7.2 million during Fiscal Year 2013; and the elimination of the imposition of the tax during Fiscal Year 2014 will result in total annual forgone revenue of \$10.8 million. This tax revenue has been annually considered in the State budget as unanticipated revenue and is deposited in the off-budget Health Care Subsidy Fund.

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 1988 STATE OF NEW JERSEY 214th LEGISLATURE

DATED: OCTOBER 5, 2011

SUMMARY

Synopsis: Phases out cosmetic medical procedure gross receipts tax over three-year period.

Type of Impact: Annual Revenue Loss from the Health Care Subsidy Fund (off-budget).

Agencies Affected: Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014 and thereafter</u>
State Revenue Loss	\$1,800,000	\$7,200,000	\$10,800,000

- The Office of Legislative Services (OLS) estimates that this bill would reduce State revenues deposited in the (off-budget) Health Care Subsidy Fund by about \$1,800,000 in the first fiscal year (6-month impact), \$7,200,000 in the second year, and \$10,800,000 in the third year and thereafter.

BILL DESCRIPTION

Senate Bill No. 1988 (1R) of 2010 phases out the cosmetic medical procedure gross receipts tax over three steps beginning on the first day of the first calendar quarter starting after the date of enactment. Under the bill, as amended, the six percent rate of tax currently imposed on the gross receipts from cosmetic medical procedures is (1) reduced to a 4 percent rate starting with the first calendar quarter beginning after the date of enactment; (2) reduced to a 2 percent rate from July 1, 2012 until July 1, 2013, and (3) and starting July 1, 2013 the rate of tax will be 0 percent, effectively ending the tax.

Under current law, a cosmetic medical procedure is any medical procedure performed on an individual which is directed at improving the procedure subject's appearance and which does not meaningfully promote the proper function of the body or prevent or treat illness or disease. Examples of taxable procedures include cosmetic surgery, hair transplants, cosmetic injections, cosmetic soft tissue fillers, dermabrasion and chemical peel, laser hair removal, laser skin resurfacing, laser treatment of leg veins, sclerotherapy, and cosmetic dentistry.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that this bill would reduce State revenues deposited in the (off-budget) Health Care Subsidy Fund by about \$1,800,000 in the first fiscal year (6-month impact), \$7,200,000 in the second year, and \$10,800,000 in the third year and thereafter. Estimates are based on the most recent figures from the State accounting system, indicating that this revenue source yielded approximately \$10,800,000 million in the most recent fiscal year. The phase-out of the 6 percent tax rate occurs in 3 equal steps under the bill, so the total amount was divided into three equal parts over three fiscal years. However, the first year impact is limited to six months, assuming the tax change begins January 1, 2012.

Section: Revenue, Finance and Appropriations
Analyst: Martin Poethke
Lead Fiscal Analyst
Approved: David J. Rosen
Legislative Budget and Finance Officer

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 (C.52:13B-6 et seq.).

FISCAL NOTE
[First Reprint]
SENATE, No. 1988
STATE OF NEW JERSEY
214th LEGISLATURE

DATED: NOVEMBER 9, 2011

SUMMARY

Synopsis: Phases out cosmetic medical procedure gross receipts tax over three-year period.

Type of Impact: Annual Revenue Loss from the Health Care Subsidy Fund (off-budget).

Agencies Affected: Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014 and thereafter</u>
State Revenue Loss	\$1,800,000	\$7,200,000	\$10,800,000

- The Department of Treasury and the Office of Management and Budget **concur** with the Office of Legislative Services' (OLS) Fiscal Estimate, originally published October 5, 2011.
- The OLS estimates that this bill would reduce State revenues deposited in the (off-budget) Health Care Subsidy Fund by about \$1,800,000 in the first fiscal year (6-month impact), \$7,200,000 in the second year, and \$10,800,000 in the third year and thereafter.

BILL DESCRIPTION

Senate Bill No. 1988 (1R) of 2010 phases out the cosmetic medical procedure gross receipts tax over three steps beginning on the first day of the first calendar quarter starting after the date of enactment. Under the bill, as amended, the six percent rate of tax currently imposed on the gross receipts from cosmetic medical procedures is (1) reduced to a percent rate starting with the first calendar quarter beginning after the date of enactment; (2) reduced to a 2 percent rate from July 1, 2012 until July 1, 2013, and (3) and starting July 1, 2013 the rate of tax will be 0 percent, effectively ending the tax.

Under current law, a cosmetic medical procedure is any medical procedure performed on an individual which is directed at improving the procedure subject's appearance and which does not meaningfully promote the proper function of the body or prevent or treat illness or disease. Examples of taxable procedures include cosmetic surgery, hair transplants, cosmetic injections, cosmetic soft tissue fillers, dermabrasion and chemical peel, laser hair removal, laser skin resurfacing, laser treatment of leg veins, sclerotherapy, and cosmetic dentistry.

FISCAL ANALYSIS

EXECUTIVE BRANCH

The Department of Treasury and the Office of Management and Budget concur with the OLS' Fiscal Estimate, originally published October 5, 2011. Treasury's Office of Revenue and Economic Analysis agrees that "the OLS estimate is well-founded and reasonable and the estimates of lost revenue are valid."

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that this bill would reduce State revenues deposited in the (off-budget) Health Care Subsidy Fund by about \$1,800,000 in the first fiscal year (6-month impact), \$7,200,000 in the second year, and \$10,800,000 in the third year and thereafter. Estimates are based on the most recent figures from the State accounting system, indicating that this revenue source yielded approximately \$10,800,000 million in the most recent fiscal year. The phase-out of the 6 percent tax rate occurs in 3 equal steps under the bill, so the total amount was divided into three equal parts over three fiscal years. However, the first year impact is limited to six months, assuming the tax change begins January 1, 2012.

Section: Revenue, Finance and Appropriations
Analyst: Martin Poethke
Lead Fiscal Analyst
Approved: David J. Rosen
Legislative Budget and Finance Officer

This fiscal note has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

SENATE, No. 1988

STATE OF NEW JERSEY

DATED: DECEMBER 1, 2011

The Assembly Appropriations Committee reports favorably Senate Bill No.1988 (1R).

This bill phases out the cosmetic medical procedure gross receipts tax over three steps beginning on the first day of the first calendar quarter starting after the date of enactment.

The bill reduces the 6% tax rate currently imposed on the gross receipts from cosmetic medical procedures: (1) to 4% rate with the first calendar quarter beginning after the date of enactment; (2) to 2% from July 1, 2012 until July 1, 2013, and (3) to 0% on and after July 1, 2013, effectively ending the imposition of the tax.

The cosmetic medical procedures gross receipts tax is a State tax imposed on the purchase of cosmetic medical procedures. The tax applies to amounts paid for services and for any property or occupancy required for, or associated with, the performance of a cosmetic medical procedure, and is paid by the subject of the procedure and collected by persons responsible for billing the services. The tax is reported and paid to the Director of the Division of Taxation on a quarterly basis.

A taxed "cosmetic medical procedure" is any medical procedure performed on an individual which is directed at improving the procedure subject's appearance and which does not meaningfully promote the proper function of the body or prevent or treat illness or disease. Examples of taxable procedures include cosmetic surgery, hair transplants, cosmetic injections, cosmetic soft tissue fillers, dermabrasion and chemical peel, laser hair removal, laser skin resurfacing, laser treatment of leg veins, sclerotherapy, and cosmetic dentistry.

The phase-out provided by the bill will gradually alleviate the financial and administrative burdens associated with the tax. Since the gross receipts tax was imposed in 2004, the tax has increased overall costs for recipients of cosmetic medical procedures, and imposed an administrative burden on the medical offices billing the procedures and the State agencies charged with the administration and enforcement of the tax.

As reported by the committee, this bill is identical to Assembly Bill No. 3646 as amended and reported by the committee.

FISCAL IMPACT:

The Office of Legislative Services (OLS) notes that the cosmetic medical procedure gross receipts tax collections account recorded under the New Jersey Centralized Financial System for Fiscal Year 2011 shows that the accounting system recorded \$10.8 million from the tax for that past fiscal year. Presuming that annual revenue collections are otherwise stable, and the reduction date starts on January 1, 2012, the initial rate reduction will produce a revenue loss of about \$1.8 million during Fiscal Year 2012; the second rate reduction combined with the first rate reduction will produce a cumulative revenue loss of \$7.2 million during Fiscal Year 2013; and the elimination of the imposition of the tax during Fiscal Year 2014 will result in total annual forgone revenue of \$10.8 million. This tax revenue has been annually considered in the State budget as unanticipated revenue and is deposited in the off-budget Health Care Subsidy Fund.

STATEMENT TO
[First Reprint]
SENATE, No. 1988

with Assembly Floor Amendments
(Proposed by Assemblyman JOHNSON)

ADOPTED: JANUARY 9, 2012

This amendment delays the start of the phase-out of the cosmetic medical procedure tax until July 1, 2012 instead of the first calendar quarter after enactment.

ASSEMBLY, No. 2841

STATE OF NEW JERSEY 214th LEGISLATURE

INTRODUCED JUNE 10, 2010

Sponsored by:

Assemblyman FREDERICK SCALERA
District 36 (Bergen, Essex and Passaic)

SYNOPSIS

Phases out cosmetic medical procedure gross receipts tax over three-year period.

CURRENT VERSION OF TEXT

As introduced.



A2841 SCALERA

2

1 AN ACT phasing out the cosmetic medical procedure gross receipts
2 tax, supplementing P.L.2004, c.53 (C.54:32E-1 et seq.).

3

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

6

7 1. Notwithstanding the provisions of section 1 of P.L.2004,
8 c.53 (C.54:32E-1), the tax which shall be paid pursuant to P.L.2004,
9 c.53 (C.54:32E-1 et seq.) shall be imposed: (1) at the rate of 4% on
10 the gross receipts from a cosmetic medical procedure performed on
11 or after July 1, 2010 but before July 1, 2011, (2) at the rate of 2%
12 on the gross receipts from a cosmetic medical procedure performed
13 on or after July 1, 2011 but before July 1, 2012, and (3) at the rate
14 of 0% on the gross receipts from a cosmetic medical procedure
15 performed on or after July 1, 2012.

16

17 2. This act shall take effect immediately.

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19

20

STATEMENT

21

22 This bill phases out the cosmetic medical procedure gross
23 receipts tax beginning July 1, 2010. Under its provisions, the six
24 percent rate of tax currently imposed on the gross receipts from
25 cosmetic medical procedures is reduced by two percent per year
26 over a three-year period: (1) on or after July 1, 2010 but before
27 July 1, 2011 the rate of tax imposed will be 4%, (2) on or after July
28 1, 2011 but before July 1, 2012 the rate of tax imposed will be 2%,
29 and (3) on or after July 1, 2012 the rate of tax will be 0%.

30 The gross receipts tax is a State tax imposed on the purchase of
31 cosmetic medical procedures. The tax applies to all amounts paid
32 for services and all amounts paid for any property or occupancy
33 required for or associated with the performance of a cosmetic
34 medical procedure. It is paid by the subject and collected by
35 persons responsible for billing the procedure.

36 Under current law, a cosmetic medical procedure is any medical
37 procedure performed on an individual which is directed at
38 improving the procedure subject's appearance and which does not
39 meaningfully promote the proper function of the body or prevent or
40 treat illness or disease. Examples of taxable procedures include
41 cosmetic surgery, hair transplants, cosmetic injections, cosmetic
42 soft tissue fillers, dermabrasion and chemical peel, laser hair
43 removal, laser skin resurfacing, laser treatment of leg veins,
44 sclerotherapy, and cosmetic dentistry.

45 The phase-out provided by the bill is intended to gradually
46 alleviate the financial and administrative burdens associated with
47 the tax. Since the gross receipts tax was imposed in 2004, the tax
48 has increased overall costs for recipients of cosmetic medical

A2841 SCALERA

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- 1 procedures, and imposed an administrative burden on the medical
- 2 offices billing the procedures and the State agencies responsible for
- 3 administration and enforcement of the tax.