

54:32B-8.49

LEGISLATIVE HISTORY CHECKLIST

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LAWS OF: 1999 **CHAPTER:** 221

NJSA: 54:32B-8.49 (Sales & use--exemptions)

BILL NO: S1074 (Substituted for A2140)

SPONSOR(S): Kyrillos and DiFrancesco

DATE INTRODUCED: May 18, 1998

COMMITTEE: **ASSEMBLY:** Appropriations; Commerce, Tourism, Gaming & Military & Veterans' Affairs

SENATE: Budget & Appropriations; Economic Growth, Agriculture & Tourism

AMENDED DURING PASSAGE: Yes

DATE OF PASSAGE: **ASSEMBLY:** June 24, 1999

SENATE: July 1, 1999

DATE OF APPROVAL: September 22, 1999

FOLLOWING ARE ATTACHED IF AVAILABLE:

FINAL TEXT OF BILL: 2nd Reprint
(Amendments during passage denoted by superscript numbers)

S1074

SPONSORS STATEMENT: (Begins on page 3 of original bill) [Yes](#)

COMMITTEE STATEMENT: **ASSEMBLY:** [Yes](#) [10-5-98 \(Commerce\)](#)
[Yes](#) [1-21-99 \(Appropriations\)](#)

SENATE: [Yes](#) [6-4-98 \(Econ. Growth\)](#)
[Yes](#) [6-22-98 \(Budget\)](#)

FLOOR AMENDMENT STATEMENTS: No

LEGISLATIVE FISCAL ESTIMATE: [Yes](#) [7-20-98](#)
[Yes](#) [2-23-99](#)

A2140

SPONSORS STATEMENT: (Begins on page 3 of original bill) [Yes](#)

Bill and Sponsors Statement identical to S1074

COMMITTEE STATEMENT: **ASSEMBLY:** [Yes](#) [10-5-98](#)
Identical to Assembly Commerce, Tourism, Gaming &
Military & Veterans' Affairs Statement for S1074

[Yes](#) [1-21-99](#)
Identical to Assembly Appropriations Statement for S1074

SENATE: No

FLOOR AMENDMENT STATEMENTS: No

LEGISLATIVE FISCAL ESTIMATE:

Yes

Identical to 2-23-99 Fiscal Estimate for S1074

VETO MESSAGE:

No

GOVERNOR'S PRESS RELEASE ON SIGNING:

Yes

FOLLOWING WERE PRINTED:

To check for circulating copies, contact New Jersey State Government Publications at the State Library (609) 278-2640 ext. 102 or refdesk@njstatelib.org

REPORTS:

No

HEARINGS:

No

NEWSPAPER ARTICLES:

No

P.L. 1999, CHAPTER 221, *approved September 22, 1999*
Senate, No. 1074 (*Second Reprint*)

1 AN ACT providing expanded sales and use tax exemptions for ¹the¹
2 film and video industry, supplementing P.L.1966, c.30 (C.54:32B-1
3 et seq.).
4

5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:
7

8 1. a. Receipts from sales of tangible personal property for use or
9 consumption directly and primarily in the production of film or video
10 for sale are exempt from the tax imposed under the "Sales and Use
11 Tax Act." This exemption shall apply to tangible personal property
12 including motor vehicles, replacement parts without regard to useful
13 life, tools and supplies, but shall not apply to tangible personal
14 property the use of which is incidental to the production of film or
15 video.

16 b. The receipts from sales of the services of installing, maintaining,
17 servicing, or repairing tangible personal property for use or
18 consumption directly and primarily in the production of film or video
19 for sale are exempt from the tax imposed under the "Sales and Use
20 Tax Act."

21 c. ²**[**The receipts from the sale of food and drink delivered to or
22 prepared at the location or studio of a film or video in production for
23 consumption by the staff or employees of the film or video producer
24 during the production of a film or video are exempt from the tax
25 imposed under the "Sales and Use Tax Act;" provided however, that
26 the vendor shall charge and collect from the purchaser a tax on such
27 sales at the rate then applicable, and the purchaser may apply for a
28 refund of the tax pursuant to section 20 of P.L.1966, c.30 (C.54:32B-
29 20).

30 d. The rent for the occupancy of a room for at least 14 consecutive
31 days or more by staff or employees of a film or video producer during
32 the production of a film or video are exempt from the tax imposed
33 under the "Sales and Use Tax Act;" provided however, that the vendor
34 shall charge and collect from the purchaser a tax on such sales at the
35 rate then applicable, and the purchaser may apply for a refund of the
36 tax pursuant to section 20 of P.L.1966, c.30 (C.54:32B-20).

37 e. ²**]** For the purposes of this section, "film or video" means motion

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

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Assembly ACT committee amendments adopted October 5, 1998.

² Assembly AAP committee amendments adopted January 21, 1999.

1 pictures including feature films, shorts and documentaries, television
2 films or episodes, similar film and video productions whether for
3 broadcast, cable, closed circuit or unit distribution and whether in the
4 form of film, tape, or other analog or digital medium ¹, but does not
5 include any film or video that is produced by or on behalf of a
6 corporation or other person for its own internal use for advertising,
7 educational, training, or similar purposes¹.

8

9 2. This act shall take effect on the first day of the third month
10 following enactment and apply to property sold and services rendered
11 after that date.

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16 Provides expanded sales and use tax exemptions for film and video
17 industry.

SENATE, No. 1074

STATE OF NEW JERSEY
208th LEGISLATURE

INTRODUCED MAY 18, 1998

Sponsored by:

Senator JOSEPH M. KYRILLOS, JR.

District 13 (Middlesex and Monmouth)

Senator DONALD T. DIFRANCESCO

District 22 (Middlesex, Morris, Somerset and Union)

Co-Sponsored by:

Senator Baer

SYNOPSIS

Provides expanded sales and use tax exemptions for film and video industry.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 7/31/1998)

1 AN ACT providing expanded sales and use tax exemptions for film and
2 video industry, supplementing P.L.1966, c.30 (C.54:32B-1 et seq.).
3

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

7 1. a. Receipts from sales of tangible personal property for use or
8 consumption directly and primarily in the production of film or video
9 for sale are exempt from the tax imposed under the "Sales and Use
10 Tax Act." This exemption shall apply to tangible personal property
11 including motor vehicles, replacement parts without regard to useful
12 life, tools and supplies, but shall not apply to tangible personal
13 property the use of which is incidental to the production of film or
14 video.

15 b. The receipts from sales of the services of installing, maintaining,
16 servicing, or repairing tangible personal property for use or
17 consumption directly and primarily in the production of film or video
18 for sale are exempt from the tax imposed under the "Sales and Use
19 Tax Act."

20 c. The receipts from the sale of food and drink delivered to or
21 prepared at the location or studio of a film or video in production for
22 consumption by the staff or employees of the film or video producer
23 during the production of a film or video are exempt from the tax
24 imposed under the "Sales and Use Tax Act;" provided however, that
25 the vendor shall charge and collect from the purchaser a tax on such
26 sales at the rate then applicable, and the purchaser may apply for a
27 refund of the tax pursuant to section 20 of P.L.1966, c.30 (C.54:32B-
28 20).

29 d. The rent for the occupancy of a room for at least 14 consecutive
30 days or more by staff or employees of a film or video producer during
31 the production of a film or video are exempt from the tax imposed
32 under the "Sales and Use Tax Act;" provided however, that the vendor
33 shall charge and collect from the purchaser a tax on such sales at the
34 rate then applicable, and the purchaser may apply for a refund of the
35 tax pursuant to section 20 of P.L.1966, c.30 (C.54:32B-20).

36 e. For the purposes of this section, "film or video" means motion
37 pictures including feature films, shorts and documentaries, television
38 films or episodes, similar film and video productions whether for
39 broadcast, cable, closed circuit or unit distribution and whether in the
40 form of film, tape, or other analog or digital medium.

41
42 2. This act shall take effect on the first day of the third month
43 following enactment and apply to property sold and services rendered
44 after that date.

STATEMENT

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This bill provides sales tax exemptions for goods and services involved in the commercial production of motion pictures and videos, to encourage the expansion of the production industry in New Jersey.

At present, location film making enhances the State's economy by over \$50 million annually. Given its skilled labor pool and other resources, New Jersey has the potential to attract considerably more production in the near future as the film and television industry continues to expand in the Northeast.

A movie production company working on location can spend hundreds of thousands, even millions of dollars in a city or town. Film crews tap the resources of an entire community, hiring personnel, contracting for services, and renting and purchasing goods of every conceivable variety.

Moreover, the exposure of New Jersey sites on theater and television screens worldwide enhances the State's image, and consequently, may help to increase tourism and attract business and industry to the State.

Thus, for the benefit of both State and local economies, this bill increases New Jersey's ability to remain competitive with neighboring states that offer attractive economic incentives to film makers.

Some film and video production costs are already exempt from sales taxes. First, under the sales and use tax, making a movie or video is the making of an item of property that can eventually be sold or rented. Items "purchased for resale" are exempt from taxation; that means that if a movie producer buys film to shoot a movie that is going to be sold to a distributor, the film stock is "purchased for resale" and the producer's purchase is exempt from tax. Second, "machinery, apparatus and equipment used directly and primarily in the production of tangible personal property" is exempt from the sales and use tax. A movie camera is a piece of equipment used to produce property, the movie. A producer's purchase or rental of a camera is exempt. Third, charges for services on property that will be resold are exempt, so film editing services are exempt. However, some states, most notably New York and Washington, have gone further in helping to encourage film and video production.

This bill expands the exemptions for film and video production in several ways. First, the bill expands existing exemptions for production equipment. The bill broadens the definition of exempt production equipment for movies to include motor vehicles, materials, supplies and replacement parts and the bill exempts charges for the services of installing, maintaining, servicing, or repairing the production equipment.

Second, the bill creates new exemptions for catering services to movie productions and for the hotel occupancies of production staff

S1074 KYRILLOS, DIFRANCESCO

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1 and employees. The bill exempts food and beverages delivered to or
2 prepared at the location or studio of a film or video in production for
3 consumption by the staff or employees. The bill also exempts rent for
4 the occupancy of rooms occupied by staff or employees of a film or
5 video producer during the production of a film or video, if the room
6 is occupied for at least 14 consecutive days. For convenience to
7 service providers, the bill directs movie producers to pay the sales
8 taxes on catering and hotel bills and then apply to the Division of
9 Taxation for a refund of those production costs.

ASSEMBLY COMMERCE, TOURISM, GAMING AND
MILITARY AND VETERANS' AFFAIRS COMMITTEE

STATEMENT TO

SENATE, No. 1074

with committee amendments

STATE OF NEW JERSEY

DATED: OCTOBER 5, 1998

The Assembly Commerce, Tourism, Gaming and Military and Veterans' Affairs Committee reports without recommendation Senate Bill No. 1074, with committee amendments.

As amended, this bill provides sales tax exemptions for goods and services involved in the commercial production of motion pictures and videos, to encourage the expansion of the production industry in New Jersey. At present, location film making enhances the State's economy by over \$50 million annually. Given its skilled labor pool and other resources, New Jersey has the potential to attract considerably more production in the near future as the film and television industry continues to expand in the Northeast.

A movie production company working on location can spend hundreds of thousands, even millions of dollars in a city or town. Film crews tap the resources of an entire community, hiring personnel, contracting for services, and renting and purchasing goods of every conceivable variety.

Moreover, the exposure of New Jersey sites on theater and television screens worldwide enhances the State's image, and consequently, may help to increase tourism and attract business and industry to the State.

Thus, for the benefit of both State and local economies, this bill increases New Jersey's ability to remain competitive with neighboring states that offer attractive economic incentives to film makers.

Some film and video production costs are already exempt from sales taxes. First, under the sales and use tax, making a movie or video is the making of an item of property that can eventually be sold or rented. Items "purchased for resale" are exempt from taxation; that means that if a movie producer buys film to shoot a movie that is going to be sold to a distributor, the film stock is "purchased for resale" and the producer's purchase is exempt from tax. Second, "machinery, apparatus and equipment used directly and primarily in the production of tangible personal property" is exempt from the sales and

use tax. A movie camera is a piece of equipment used to produce property, the movie. A producer's purchase or rental of a camera is exempt. Third, charges for services on property that will be resold are exempt, so film editing services are exempt. However, some states, most notably New York and Washington, have gone further in helping to encourage film and video production.

This bill expands the exemptions for film and video production in several ways. First, the bill expands existing exemptions for production equipment. The bill broadens the definition of exempt production equipment for movies to include motor vehicles, materials, supplies and replacement parts and the bill exempts charges for the services of installing, maintaining, servicing, or repairing the production equipment.

Second, the bill creates new exemptions for catering services to movie productions and for the hotel occupancies of production staff and employees. The bill exempts food and beverages delivered to or prepared at the location or studio of a film or video in production for consumption by the staff or employees. The bill also exempts rent for the occupancy of rooms occupied by staff or employees of a film or video producer during the production of a film or video, if the room is occupied for at least 14 consecutive days. For convenience to service providers, the bill directs movie producers to pay the sales taxes on catering and hotel bills and then apply to the Division of Taxation for a refund of those production costs.

As amended, this bill is identical to Assembly Bill No. 2140 (1R).

COMMITTEE AMENDMENTS

The committee adopted an amendment to clarify that the sales tax exemption under the bill for expenditures on film and video production would not apply in the case of a film or video produced by or for a company for its in-house use for advertising, educational, training, or similar purposes.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

SENATE, No. 1074

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: JANUARY 21, 1999

The Assembly Appropriations Committee reports favorably Senate Bill No. 1074 (1R) with committee amendments.

Senate Bill No. 1074 (1R), as amended, provides certain targeted sales tax exemptions for goods and services involved in the commercial production of motion pictures and videos.

Current sales tax exemptions enacted to foster economic competitiveness in manufacturing already exempt some film and video production costs from sales taxes. (1) Making a movie or video is considered under New Jersey's sales tax to be the making of an item of property that can eventually be sold or rented. Items "purchased for resale" or incorporated into goods to be resold are exempt from taxation, so if a movie producer buys film to shoot a movie to be sold to a distributor, the film stock is "purchased for resale" and the producer's purchase is exempt from tax. (2) "Machinery, apparatus and equipment used directly and primarily in the production of tangible personal property" is exempt from the sales and use tax. As a movie camera is a piece of equipment used to produce property (the movie), a producer's purchase or rental of a camera is exempt. (3) Charges for services on property that will be resold are exempt, so film editing services are exempt.

The bill expands the sales tax exemptions specifically for film and video production in two ways:

(1) The bill allows an exemption for tangible personal property to be used directly and primarily in the production of film or video for sale including motor vehicles, tools, supplies and replacement parts.

(2) The bill explicitly exempts charges for the services of installing, maintaining, servicing, or repairing the film or video production equipment.

The expanded exemptions do not apply to film or video produced by or for a company for its in-house use for advertising, educational, training, or similar purposes.

As amended and reported by this committee, this bill is identical to Assembly Bill No. 2140 (1R) as amended and reported by this

committee.

FISCAL IMPACT

Sufficient reliable data are not available data to allow a precise estimate of the bill's fiscal impact. It appears, however, that the maximum possible sales tax revenue loss for the existing sales tax exemptions and those created by the bill is approximately \$1.4 million annually, and it is probable that the actual revenue loss under the bill would be substantially less.

The New Jersey Motion Picture and Television Development Commission reports that production companies filmed 559 projects for commercial distribution in New Jersey in 1996, the most recent year for which data are available. These projects resulted in a direct contribution to the State's economy estimated at \$48.2 million. On the basis of recent discussions with motion picture producers and industry officials, the commission estimates that between 50 and 60 percent of the \$48.2 million in total Statewide expenditures are attributable to employee compensation. Employee compensation is not taxable under the sales and use tax. The remaining expenditures (between \$19.3 million and \$24.1 million) represent the potentially taxable expenditures. If all of these expenditures were formerly subject to the sales tax and met the exemption criteria of the bill, State revenues would have been reduced by between \$1.2 million and \$1.4 million in 1996.

Of course, not all the expenditures will meet the exemption criteria of the bill. Some expenditures will not be sales actually subject to the sales tax, some will be otherwise taxable but will meet the current exemptions, some will satisfy the new exemptions provided by the bill, and some will fail to meet both the current and new exemptions criteria that the goods or services be used "directly and primarily" in production. Actual revenue loss under the bill will be limited to expenditures that satisfy the new exemption, and it appears that the impact of this bill on New Jersey revenues will not be substantial. If, for example, half of all production-related transactions are in the category of expenditures exempted under the bill, the revenue losses under the bill would be between \$600,000 and \$700,000 annually.

COMMITTEE AMENDMENTS:

The amendments delete provisions allowing sales tax exemptions for catering services to movie productions and for hotel occupancy by production staff and employees.

SENATE ECONOMIC GROWTH, AGRICULTURE AND
TOURISM COMMITTEE

STATEMENT TO

SENATE, No. 1074

STATE OF NEW JERSEY

DATED: JUNE 4, 1998

The Senate Economic Growth, Agriculture and Tourism Committee reports favorably Senate Bill No. 1074.

As reported, this bill provides sales tax exemptions for goods and services involved in the commercial production of motion pictures and videos, to encourage the expansion of the production industry in New Jersey.

The bill expands the sales tax exemptions for film and video production in several ways. First, the bill expands existing exemptions for production equipment. The bill broadens the definition of exempt production equipment for movies used directly and primarily in the production of tangible personal property to include motor vehicles, materials, supplies and replacement parts and the bill exempts charges for the services of installing, maintaining, servicing, or repairing the production equipment.

Second, the bill creates new sales tax exemptions for catering services to movie productions and for the hotel occupancies of production staff and employees. The bill exempts food and beverages delivered to or prepared at the location or studio of a film or video in production for consumption by the staff or employees. The bill also exempts rent for the occupancy of rooms occupied by staff or employees of a film or video producer during the production of a film or video, if the room is occupied for at least 14 consecutive days. For convenience to service providers, the bill directs movie producers to pay the sales taxes on catering and hotel bills and then apply to the Division of Taxation for a refund of those production costs.

At present, location film making enhances the State's economy by over \$50 million annually.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 1074

STATE OF NEW JERSEY

DATED: JUNE 22, 1998

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1074.

This bill provides certain targeted sales tax exemptions for goods and services involved in the commercial production of motion pictures and videos. Current law exempting expenditures for production-related goods and services already exempts some film and video production costs from sales taxes. (1) Since making a movie or video is the making of an item of property that can eventually be sold or rented, and since items "purchased for resale" are exempt from taxation, if a movie producer buys film to shoot a movie to be sold to a distributor, the film stock is "purchased for resale" and the producer's purchase is exempt from tax. (2) "Machinery, apparatus and equipment used directly and primarily in the production of tangible personal property" is exempt from the sales and use tax. Since a movie camera is a piece of equipment used to produce property (the movie), a producer's purchase or rental of a camera is exempt. (3) Charges for services on property that will be resold are exempt, so film editing services are exempt.

The bill expands the sales tax exemptions specifically for film and video production in several ways:

(1) The bill allows an exemption for tangible personal property to be used directly and primarily in the production of film or video for sale including motor vehicles, tools, supplies and replacement parts.

(2) The bill explicitly exempts charges for the services of installing, maintaining, servicing, or repairing the film or video production equipment.

(3) The bill creates new sales tax exemptions for catering services to movie productions and for hotel occupancy by production staff and employees. It exempts food and beverages delivered to or prepared at the location or studio of a film or video in production for consumption by the staff or employees of the producer. It also exempts rent for the occupancy of rooms by staff or employees of a film or video producer during the production of a film or video, if the room is occupied for at least 14 consecutive days. For convenience to vendors, the bill directs movie producers to pay the sales taxes on catering and hotel bills and then apply to the Division of Taxation for a refund of those production costs.

FISCAL IMPACT

The available data relevant to estimating the fiscal impact of this bill are primarily anecdotal or incomplete. (For example, it is unknown to what extent film makers in New Jersey are aware of and are taking the existing New Jersey sales tax exemption on production items such as cameras, lighting equipment, sound recorders, set equipment and props.) As a result, an exact estimate cannot be produced. It appears, however, that the maximum possible sales tax revenue loss would be approximately \$1.4 million, and it is probable that the actual loss would be substantially less.

The New Jersey Motion Picture and Television Development Commission reports that production companies filmed 559 projects in New Jersey in 1996, the most recent year for which data are available. These projects resulted in a direct contribution to the State's economy estimated at \$48.2 million. On the basis of recent discussions with motion picture producers and industry officials, the commission estimates that between 50 and 60 percent of the \$48.2 million in total Statewide expenditures are attributable to employee compensation. Employee compensation is not taxable under the sales and use tax. The remaining expenditures (between \$19.3 million and \$24.1 million) represent the expenditures within the State that are potentially taxable. If all of these sales were subject to the sales tax and met the criterion that these items be used directly and primarily in the production process, State revenues would have been reduced by between \$1.2 million and \$1.4 million (6 percent sales and use tax) in FY 1996. A revenue loss of this size in FY 1996 would have been approximately 0.03% of total sales tax collections. This range is the upper bound of the estimated losses associated with this proposal.

Of course, all the potentially taxable sales within the State will not be sales actually subject to the sales tax. It is possible to group all production-related sales into three distinct types of transactions: non-taxable transactions; taxable transactions that do not meet the "directly and primarily" criterion; and taxable transactions that do meet the "directly and primarily" criterion. The State will lose tax revenue under the legislation only with respect to the third of these categories of transactions. Without more information it is not possible to make reliably any additional adjustments to the above estimate, but it certainly appears that the impact of this proposal on New Jersey revenues would not be substantial. If, for example, half of all production-related transactions are in the category of expenditures exempted under the bill, the revenue losses would be between \$600,000 and \$700,000.

LEGISLATIVE FISCAL ESTIMATE

SENATE, No. 1074

STATE OF NEW JERSEY

208th LEGISLATURE

DATED: JULY 20, 1998

Bill Summary:

Senate Bill No. 1074 of 1998 expands certain sales tax exemptions for goods and services involved in the commercial production of motion pictures and videos.

Currently in this State, a person engaged in the production of a film for sale is afforded all exemptions which are available to manufacturers. However, this exemption applies only to the purchase of property or services that are used or consumed directly and predominantly in the production process. This bill expands the existing exemptions for tangible personal property used in production to include motor vehicles, tools, supplies and replacement parts, and explicitly exempts charges for the services of installing, maintaining, servicing, or repairing production equipment.

In addition, the bill creates new sales tax exemptions for catering services delivered to or prepared at the studio or location of a film or video, and for hotel occupancies by staff or employees of a film or video producer during the production of a film or video.

Cost Estimate:

The Office of Legislative Services (OLS) projects that this bill will result in a maximum loss of sales tax revenues of \$1.4 million per year. While the available data used to estimate the cost of implementing this bill are primarily anecdotal or incomplete, it is probable, for reasons explained below, that the loss would be substantially less than this maximum figure. The OLS estimate is based upon information provided through the New Jersey Motion Picture and Television Development Commission, an entity of the New Jersey Department of Commerce and Economic Development.

The commission reports that production companies filmed 559 projects in New Jersey in 1996, the most recent year for which data are available. These projects resulted in a direct contribution of \$48.2 million to the State's economy. While it is not known what portion of this amount was expended on taxable versus nontaxable sales, the

commission recently queried a series of motion picture producers and industry officials regarding the components of a typical film budget in order to ascertain the range of potential revenue loss. On the basis of these discussions, the commission estimates that between 50 to 60 percent of the \$48.2 million in total Statewide expenditures are attributable to employee compensation. Employee compensation is not taxable under the sales and use tax. The remaining expenditures (between \$19.3 million and \$24.1 million) represent those expenditures within the State that are potentially taxable. If all of these sales were subject to the sales tax and fell under the criterion that these items be used "directly and predominantly" in the production process, State revenues would be reduced by between \$1.2 million and \$1.4 million (6 percent sales and use tax) based on 1996 figures. A revenue loss of this size in FY 1996 would have been approximately 0.03% of total sales tax collections. This range is the maximum estimated loss associated with this proposal.

Of course, all of the potentially taxable sales within the State will not be sales which are actually subject to the sales tax. It is possible to group these sales into three distinct types of transactions: non-taxable transactions, taxable transactions that do not meet the "directly and predominantly" criteria; and taxable transactions that meet the "directly and predominantly" criterion. Under the bill, the actual revenue loss to the State will be the value of transactions which are taxable and meet the criterion. Thus, for example, if half of all potentially taxable sales (estimated above to be \$1.2 million to \$1.4 million) met this criterion, the range of revenue loss would drop to between \$600,000 and \$700,000. However, without further information it is not possible to make additional adjustments to this estimate. Moreover, it is not known to what extent film makers in New Jersey are aware and are currently taking the existing New Jersey sales tax exemption on items such as cameras, lighting equipment, sound recorders, set equipment and props.

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.

FISCAL NOTE

[First Reprint]

SENATE, No. 1074

STATE OF NEW JERSEY

208th LEGISLATURE

DATED: FEBRUARY 23, 1999

Senate Bill No. 1074 (1R) of 1998 expands certain sales tax exemptions for goods and services involved in the commercial production of motion pictures and videos.

Currently in this State, a person engaged in the production of a film for sale is afforded all exemptions which are available to manufacturers. However, this exemption applies only to the purchase of property or services that are used or consumed directly and predominantly in the production process. This bill expands the existing exemptions for tangible personal property used in production to include motor vehicles, tools, supplies and replacement parts, and explicitly exempts charges for the services of installing, maintaining, servicing, or repairing production equipment.

In addition, the bill creates new sales tax exemptions for catering services delivered to or prepared at the studio or location of a film or video, and for hotel occupancies by staff or employees of a film or video producer during the production of a film or video.

This sales tax exemption would not apply to any film or video produced by or on behalf of any corporation or individual for their own internal use as advertising, training or educational tool, or any other similar purpose.

Cost Estimate:

The Office of Legislative Services (OLS) projects that this bill will result in a maximum loss of sales tax revenues of \$1.4 million per year. While the available data used to estimate the cost of implementing this bill are primarily anecdotal or incomplete, it is probable, for reasons explained below, that the loss would be substantially less than this maximum figure. The OLS estimate is based upon information provided through the New Jersey Motion Picture and Television Development Commission.

The commission reports that production companies filmed 559 projects in New Jersey in 1996, the most recent year for which data are available. These projects resulted in a direct contribution of \$48.2

million to the State's economy. While it is not known what portion of this amount was expended on taxable versus nontaxable sales, the commission recently queried a series of motion picture producers and industry officials regarding the components of a typical film budget in order to ascertain the range of potential revenue loss. On the basis of these discussions, the commission estimates that between 50 to 60 percent of the \$48.2 million in total Statewide expenditures are attributable to employee compensation. Employee compensation is not taxable under the sales and use tax. The remaining expenditures (between \$19.3 million and \$24.1 million) represent those expenditures within the State that are potentially taxable. If all of these sales were subject to the sales tax and fell under the criterion that these items be used "directly and predominantly" in the production process, State revenues would be reduced by between \$1.2 million and \$1.4 million (6 percent sales and use tax) based on 1996 figures. A revenue loss of this size in FY 1996 would have been approximately 0.03 percent of total sales tax collections. This range is the maximum estimated loss associated with this proposal.

Analysis prepared by the Division of Taxation in the Department of the Treasury estimates the loss at \$1.6 million, using a methodology similar to that employed by the OLS.

Of course, all of the potentially taxable sales within the State will not be sales which are actually subject to the sales tax. It is possible to group these sales into three distinct types of transactions: nontaxable transactions, taxable transactions that do not meet the "directly and predominantly" criteria; and taxable transactions that meet the "directly and predominantly" criterion. Under the bill, the actual revenue loss to the State will be the value of transactions which are taxable and meet the criterion. Thus, for example, if half of all potentially taxable sales (estimated above to be \$1.2 million to \$1.4 million) met this criterion, the range of revenue loss would drop to between \$600,000 and \$700,000. However, without further information it is not possible to make additional adjustments to this estimate. Moreover, it is not known to what extent film makers in New Jersey are aware and are currently taking the existing New Jersey sales tax exemption on items such as cameras, lighting equipment, sound recorders, set equipment and props.

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

ASSEMBLY, No. 2140

STATE OF NEW JERSEY 208th LEGISLATURE

INTRODUCED JUNE 1, 1998

Sponsored by:

Assemblyman JOSEPH AZZOLINA

District 13 (Middlesex and Monmouth)

Assemblyman ANTHONY IMPREVEDUTO

District 32 (Bergen and Hudson)

Co-Sponsored by:

Assemblymen Doria, Thompson, Romano and Garcia

SYNOPSIS

Provides expanded sales and use tax exemptions for film and video industry.

CURRENT VERSION OF TEXT

As introduced.



A2140 AZZOLINA, IMPREVEDUTO

2

1 AN ACT providing expanded sales and use tax exemptions for film and
2 video industry, supplementing P.L.1966, c.30 (C.54:32B-1 et seq.).

3
4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6
7 1. a. Receipts from sales of tangible personal property for use or
8 consumption directly and primarily in the production of film or video
9 for sale are exempt from the tax imposed under the "Sales and Use
10 Tax Act." This exemption shall apply to tangible personal property
11 including motor vehicles, replacement parts without regard to useful
12 life, tools and supplies, but shall not apply to tangible personal
13 property the use of which is incidental to the production of film or
14 video.

15 b. The receipts from sales of the services of installing, maintaining,
16 servicing, or repairing tangible personal property for use or
17 consumption directly and primarily in the production of film or video
18 for sale are exempt from the tax imposed under the "Sales and Use
19 Tax Act."

20 c. The receipts from the sale of food and drink delivered to or
21 prepared at the location or studio of a film or video in production for
22 consumption by the staff or employees of the film or video producer
23 during the production of a film or video are exempt from the tax
24 imposed under the "Sales and Use Tax Act;" provided however, that
25 the vendor shall charge and collect from the purchaser a tax on such
26 sales at the rate then applicable, and the purchaser may apply for a
27 refund of the tax pursuant to section 20 of P.L.1966, c.30 (C.54:32B-
28 20).

29 d. The rent for the occupancy of a room for at least 14 consecutive
30 days or more by staff or employees of a film or video producer during
31 the production of a film or video are exempt from the tax imposed
32 under the "Sales and Use Tax Act;" provided however, that the vendor
33 shall charge and collect from the purchaser a tax on such sales at the
34 rate then applicable, and the purchaser may apply for a refund of the
35 tax pursuant to section 20 of P.L.1966, c.30 (C.54:32B-20).

36 e. For the purposes of this section, "film or video" means motion
37 pictures including feature films, shorts and documentaries, television
38 films or episodes, similar film and video productions whether for
39 broadcast, cable, closed circuit or unit distribution and whether in the
40 form of film, tape, or other analog or digital medium.

41
42 2. This act shall take effect on the first day of the third month
43 following enactment and apply to property sold and services rendered
44 after that date.

STATEMENT

1
2
3 This bill provides sales tax exemptions for goods and services
4 involved in the commercial production of motion pictures and videos,
5 to encourage the expansion of the production industry in New Jersey.

6 At present, location film making enhances the State's economy by
7 over \$50 million annually. Given its skilled labor pool and other
8 resources, New Jersey has the potential to attract considerably more
9 production in the near future as the film and television industry
10 continues to expand in the Northeast.

11 A movie production company working on location can spend
12 hundreds of thousands, even millions of dollars in a city or town. Film
13 crews tap the resources of an entire community, hiring personnel,
14 contracting for services, and renting and purchasing goods of every
15 conceivable variety.

16 Moreover, the exposure of New Jersey sites on theater and
17 television screens worldwide enhances the State's image, and
18 consequently, may help to increase tourism and attract business and
19 industry to the State.

20 Thus, for the benefit of both State and local economies, this bill
21 increases New Jersey's ability to remain competitive with neighboring
22 states that offer attractive economic incentives to film makers.

23 Some film and video production costs are already exempt from
24 sales taxes. First, under the sales and use tax, making a movie or
25 video is the making of an item of property that can eventually be sold
26 or rented. Items "purchased for resale" are exempt from taxation; that
27 means that if a movie producer buys film to shoot a movie that is
28 going to be sold to a distributor, the film stock is "purchased for
29 resale" and the producer's purchase is exempt from tax. Second,
30 "machinery, apparatus and equipment used directly and primarily in the
31 production of tangible personal property" is exempt from the sales and
32 use tax. A movie camera is a piece of equipment used to produce
33 property, the movie. A producer's purchase or rental of a camera is
34 exempt. Third, charges for services on property that will be resold are
35 exempt, so film editing services are exempt. However, some states,
36 most notably New York and Washington, have gone further in helping
37 to encourage film and video production.

38 This bill expands the exemptions for film and video production in
39 several ways. First, the bill expands existing exemptions for
40 production equipment. The bill broadens the definition of exempt
41 production equipment for movies to include motor vehicles, materials,
42 supplies and replacement parts and the bill exempts charges for the
43 services of installing, maintaining, servicing, or repairing the
44 production equipment.

45 Second, the bill creates new exemptions for catering services to
46 movie productions and for the hotel occupancies of production staff

A2140 AZZOLINA, IMPREVEDUTO

4

1 and employees. The bill exempts food and beverages delivered to or
2 prepared at the location or studio of a film or video in production for
3 consumption by the staff or employees. The bill also exempts rent for
4 the occupancy of rooms occupied by staff or employees of a film or
5 video producer during the production of a film or video, if the room
6 is occupied for at least 14 consecutive days. For convenience to
7 service providers, the bill directs movie producers to pay the sales
8 taxes on catering and hotel bills and then apply to the Division of
9 Taxation for a refund of those production costs.

ASSEMBLY COMMERCE, TOURISM, GAMING AND
MILITARY AND VETERANS' AFFAIRS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2140

with committee amendments

STATE OF NEW JERSEY

DATED: OCTOBER 5, 1998

The Assembly Commerce, Tourism, Gaming and Military and Veterans' Affairs Committee reports without recommendation Assembly Bill No. 2140 with committee amendments.

As amended, this bill provides sales tax exemptions for goods and services involved in the commercial production of motion pictures and videos, to encourage the expansion of the production industry in New Jersey. At present, location film making enhances the State's economy by over \$50 million annually. Given its skilled labor pool and other resources, New Jersey has the potential to attract considerably more production in the near future as the film and television industry continues to expand in the Northeast.

A movie production company working on location can spend hundreds of thousands, even millions of dollars in a city or town. Film crews tap the resources of an entire community, hiring personnel, contracting for services, and renting and purchasing goods of every conceivable variety.

Moreover, the exposure of New Jersey sites on theater and television screens worldwide enhances the State's image, and consequently, may help to increase tourism and attract business and industry to the State.

Thus, for the benefit of both State and local economies, this bill increases New Jersey's ability to remain competitive with neighboring states that offer attractive economic incentives to film makers.

Some film and video production costs are already exempt from sales taxes. First, under the sales and use tax, making a movie or video is the making of an item of property that can eventually be sold or rented. Items "purchased for resale" are exempt from taxation; that means that if a movie producer buys film to shoot a movie that is going to be sold to a distributor, the film stock is "purchased for resale" and the producer's purchase is exempt from tax. Second, "machinery, apparatus and equipment used directly and primarily in the production of tangible personal property" is exempt from the sales and use tax. A movie camera is a piece of equipment used to produce

property, the movie. A producer's purchase or rental of a camera is exempt. Third, charges for services on property that will be resold are exempt, so film editing services are exempt. However, some states, most notably New York and Washington, have gone further in helping to encourage film and video production.

This bill expands the exemptions for film and video production in several ways. First, the bill expands existing exemptions for production equipment. The bill broadens the definition of exempt production equipment for movies to include motor vehicles, materials, supplies and replacement parts and the bill exempts charges for the services of installing, maintaining, servicing, or repairing the production equipment.

Second, the bill creates new exemptions for catering services to movie productions and for the hotel occupancies of production staff and employees. The bill exempts food and beverages delivered to or prepared at the location or studio of a film or video in production for consumption by the staff or employees. The bill also exempts rent for the occupancy of rooms occupied by staff or employees of a film or video producer during the production of a film or video, if the room is occupied for at least 14 consecutive days. For convenience to service providers, the bill directs movie producers to pay the sales taxes on catering and hotel bills and then apply to the Division of Taxation for a refund of those production costs.

As amended, this bill is identical to Senate Bill No. 1074 (1R).

COMMITTEE AMENDMENTS

The committee adopted an amendment to clarify that the sales tax exemption under the bill for expenditures on film and video production would not apply in the case of a film or video produced by or for a company for its in-house use for advertising, educational, training, or similar purposes.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

ASSEMBLY, No. 2140

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: JANUARY 21, 1999

The Assembly Appropriations Committee reports favorably Assembly Bill No. 2140 (1R) with committee amendments.

Assembly Bill No. 2140 (1R), as amended, provides certain targeted sales tax exemptions for goods and services involved in the commercial production of motion pictures and videos.

Current sales tax exemptions enacted to foster economic competitiveness in manufacturing already exempt some film and video production costs from sales taxes. (1) Making a movie or video is considered under New Jersey's sales tax to be the making of an item of property that can eventually be sold or rented. Items "purchased for resale" or incorporated into goods to be resold are exempt from taxation, so if a movie producer buys film to shoot a movie to be sold to a distributor, the film stock is "purchased for resale" and the producer's purchase is exempt from tax. (2) "Machinery, apparatus and equipment used directly and primarily in the production of tangible personal property" is exempt from the sales and use tax. As a movie camera is a piece of equipment used to produce property (the movie), a producer's purchase or rental of a camera is exempt. (3) Charges for services on property that will be resold are exempt, so film editing services are exempt.

The bill expands the sales tax exemptions specifically for film and video production in two ways:

(1) The bill allows an exemption for tangible personal property to be used directly and primarily in the production of film or video for sale including motor vehicles, tools, supplies and replacement parts.

(2) The bill explicitly exempts charges for the services of installing, maintaining, servicing, or repairing the film or video production equipment.

The expanded exemptions do not apply to film or video produced by or for a company for its in-house use for advertising, educational, training, or similar purposes.

As amended and reported by this committee, this bill is identical to Senate Bill No. 1074 (1R) as amended and reported by this committee.

FISCAL IMPACT

Sufficient reliable data are not available data to allow a precise estimate of the bill's fiscal impact. It appears, however, that the maximum possible sales tax revenue loss for the existing sales tax exemptions and those created by the bill is approximately \$1.4 million annually, and it is probable that the actual revenue loss under the bill would be substantially less.

The New Jersey Motion Picture and Television Development Commission reports that production companies filmed 559 projects for commercial distribution in New Jersey in 1996, the most recent year for which data are available. These projects resulted in a direct contribution to the State's economy estimated at \$48.2 million. On the basis of recent discussions with motion picture producers and industry officials, the commission estimates that between 50 and 60 percent of the \$48.2 million in total Statewide expenditures are attributable to employee compensation. Employee compensation is not taxable under the sales and use tax. The remaining expenditures (between \$19.3 million and \$24.1 million) represent the potentially taxable expenditures. If all of these expenditures were formerly subject to the sales tax and met the exemption criteria of the bill, State revenues would have been reduced by between \$1.2 million and \$1.4 million in 1996.

Of course, not all the expenditures will meet the exemption criteria of the bill. Some expenditures will not be sales actually subject to the sales tax, some will be otherwise taxable but will meet the current exemptions, some will satisfy the new exemptions provided by the bill, and some will fail to meet both the current and new exemptions criteria that the goods or services be used "directly and primarily" in production. Actual revenue loss under the bill will be limited to expenditures that satisfy the new exemption, and it appears that the impact of this bill on New Jersey revenues will not be substantial. If, for example, half of all production-related transactions are in the category of expenditures exempted under the bill, the revenue losses under the bill would be between \$600,000 and \$700,000 annually.

COMMITTEE AMENDMENTS:

The amendments delete provisions allowing sales tax exemptions for catering services to movie productions and for hotel occupancy by production staff and employees.

FISCAL NOTE

[First Reprint]

ASSEMBLY, No. 2140

STATE OF NEW JERSEY

208th LEGISLATURE

DATED: FEBRUARY 23, 1999

Assembly Bill No. 2140 (1R) of 1998 expands certain sales tax exemptions for goods and services involved in the commercial production of motion pictures and videos.

Currently in this State, a person engaged in the production of a film for sale is afforded all exemptions which are available to manufacturers. However, this exemption applies only to the purchase of property or services that are used or consumed directly and predominantly in the production process. This bill expands the existing exemptions for tangible personal property used in production to include motor vehicles, tools, supplies and replacement parts, and explicitly exempts charges for the services of installing, maintaining, servicing, or repairing production equipment.

In addition, the bill creates new sales tax exemptions for catering services delivered to or prepared at the studio or location of a film or video, and for hotel occupancies by staff or employees of a film or video producer during the production of a film or video.

This sales tax exemption would not apply to any film or video produced by or on behalf of any corporation or individual for their own internal use as advertising, training or educational tool, or any other similar purpose.

Cost Estimate:

The Office of Legislative Services (OLS) projects that this bill will result in a maximum loss of sales tax revenues of \$1.4 million per year. While the available data used to estimate the cost of implementing this bill are primarily anecdotal or incomplete, it is probable, for reasons explained below, that the loss would be substantially less than this maximum figure. The OLS estimate is based upon information provided through the New Jersey Motion Picture and Television Development Commission.

The commission reports that production companies filmed 559 projects in New Jersey in 1996, the most recent year for which data are available. These projects resulted in a direct contribution of \$48.2

million to the State's economy. While it is not known what portion of this amount was expended on taxable versus nontaxable sales, the commission recently queried a series of motion picture producers and industry officials regarding the components of a typical film budget in order to ascertain the range of potential revenue loss. On the basis of these discussions, the commission estimates that between 50 to 60 percent of the \$48.2 million in total Statewide expenditures are attributable to employee compensation. Employee compensation is not taxable under the sales and use tax. The remaining expenditures (between \$19.3 million and \$24.1 million) represent those expenditures within the State that are potentially taxable. If all of these sales were subject to the sales tax and fell under the criterion that these items be used "directly and predominantly" in the production process, State revenues would be reduced by between \$1.2 million and \$1.4 million (6 percent sales and use tax) based on 1996 figures. A revenue loss of this size in FY 1996 would have been approximately 0.03 percent of total sales tax collections. This range is the maximum estimated loss associated with this proposal.

Analysis prepared by the Division of Taxation in the Department of the Treasury estimates the loss at \$1.6 million, using a methodology similar to that employed by the OLS.

Of course, all of the potentially taxable sales within the State will not be sales which are actually subject to the sales tax. It is possible to group these sales into three distinct types of transactions: nontaxable transactions, taxable transactions that do not meet the "directly and predominantly" criteria; and taxable transactions that meet the "directly and predominantly" criterion. Under the bill, the actual revenue loss to the State will be the value of transactions which are taxable and meet the criterion. Thus, for example, if half of all potentially taxable sales (estimated above to be \$1.2 million to \$1.4 million) met this criterion, the range of revenue loss would drop to between \$600,000 and \$700,000. However, without further information it is not possible to make additional adjustments to this estimate. Moreover, it is not known to what extent film makers in New Jersey are aware and are currently taking the existing New Jersey sales tax exemption on items such as cameras, lighting equipment, sound recorders, set equipment and props.

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

Office of the Governor
NEWS RELEASE

PO BOX 004
TRENTON, NJ 08625

CONTACT: Gene Herman
609-777-2600

RELEASE: September 22, 1999

Gov. Christie Whitman today signed the following pieces of legislation:

S-1789, the New Jersey Homeless Youth Act, sponsored by Senators William L. Gormley (R-Atlantic) and Joseph F. Vitale (D-Middlesex) and Assembly Members Kenneth C. LeFevre (R-Atlantic) and Francis J. Blee (R-Atlantic), appropriates \$1 million to the Department of Human Services (DHS) to establish and support a comprehensive program for homeless youth. The Commissioner of the DHS will develop rules and regulations for the licensing of street outreach, basic center shelters and transitional living home programs.

Street outreach will enhance the homeless youth's accessibility to resources by locating, contacting and providing services to the youth through community-based, mobile outreach. Services may include assistance in finding shelter, food, clothing, medical care and counseling.

The basic center shelter program will provide a homeless youth with 24-hour, seven-day-a-week access to a stable out-of-home placement. Services may include family reunification, counseling, food, clothing, medical care, educational services and recreation. The shelter will help reunite the family unless it is not in the youth's best interest.

The transitional living home program will provide residential care and treatment services for up to 18 months to homeless youths between the ages of 16 and 21 who demonstrate the maturity to function with minimal adult supervision. The goal is to prepare the youth for independence and self-sufficiency. The legislation also eliminates the requirement in current law that prohibits homeless youths from obtaining emergency shelter without first obtaining either a court order or a guardian's permission.

S-160, sponsored by Senators Joseph M. Kyrillos, Jr. (R- Middlesex/Monmouth) and Joseph A. Palaia (R-Monmouth) and Assembly Members Joseph Azzolina (R-Middlesex/Monmouth) and Steve Corodemus (R-Monmouth), authorizes certain federal law enforcement officers to make arrests for violations of New Jersey law. The bill expands the list of federal law enforcement officers authorized to make arrests when serious state crimes are committed or about to be committed in their presence to include the Department of the Interior special agents, investigators, park police and park rangers and the United States postal police. The power of postal police officers is limited to offenses occurring on postal property while they are on duty.

S-995, sponsored by the late Senator Wynona M. Lipman (D- Essex/Union) and Senator Ronald L. Rice (D-Essex) and Assembly Member William D. Payne (D-Essex/Union), allows for the extension of property tax exemptions for certain non-profit housing corporations beyond the 35 year limit set by the 1991 Long Term Tax Exemption Law. The bill applies only to limited-dividend and non-profit housing corporations. This bill would allow a municipality to extend the term of any such tax exemption to coincide with the term of the housing corporation's mortgage financing. The mortgage duration and the

terms of any such extension shall be set forth in an agreement between the developer of the housing corporation and the affected municipality.

S-1133, sponsored by Senators Peter A. Inverso (R- Mercer/Middlesex) and Anthony R. Bucco (R-Morris) and Assembly Members Charlotte Vandervalk (R-Bergen), Steve Corodemus (R-Monmouth) and Neil M. Cohen (D-Union), provides a tax deduction to self-employers for 100% of the cost of health insurance. Under previous law, self-employers were treated the same as individuals could only deduct premiums in excess of 2% of their income as medical expense. This will change the tax treatment for self-employers to make it analogous to corporations. Under the law, corporations may deduct 100% of the cost of providing employee health insurance from their corporate income for the purpose of calculating the Corporate Business Tax.

S-585, sponsored by Senator Bernard F. Kenny, Jr. (D-Hudson) and Assembly Members Raul "Rudy" Garcia (D-Hudson) and Nicholas R. Felice (R-Bergen/Passaic), makes religious organizations, fraternal organizations, and certain educational institutions eligible for funding from the New Jersey Green Acres, Cultural Centers and Historic Preservation Bond Act of 1987, in addition to non-profit cultural centers that are currently eligible.

S-1448, sponsored by Senator Diane B. Allen (R-Burlington/Camden) and Assembly Members Rose Marie Heck (R-Bergen) and Jerry Green (D- Middlesex/Somerset/Union), appropriates \$95,000 to establish a permanent Council on Gender Parity in Labor and Education with the State Employment and Training Commission. The new council will help ensure that federal and state gender equity initiatives are implemented effectively in communities, schools and public agencies.

S-1960, sponsored by Senators Henry P. McNamara (R-Bergen/Passaic) and Robert E. Littell (R-Sussex/Hunterdon/Morris) and Assembly Members E. Scott Garrett (R-Sussex/Hunterdon/ Morris) and Guy R. Gregg (R- Sussex/Hunterdon/Morris), formalizes and makes permanent the municipal financial aid offset formula and program for the loss of property tax revenue as a result of the moratorium on the sale of watershed lands. For the last several years, the offset has been provided for through language inserted in the state annual Appropriations Act.

The amount of aid to be provided annually to every municipality where property is subject to the watershed moratorium is based on a formula of \$68.50 per acre of such lands in the municipality, to be adjusted annually by reference to the Consumer Price Index. The bill also appropriates \$3.4 million from the General Fund to the Department of Community Affairs for the purpose of providing watershed moratorium offset aid to qualifying municipalities for Fiscal Year 2000.

SCS for A-1983 and S-1237, sponsored by Assembly Members Francis J. Blee (R-Atlantic) and David W. Wolfe (R-Monmouth/Ocean) and Senators Wayne R. Bryant (D-Camden/Gloucester) and John J. Matheussen (R-Camden/Gloucester), creates the Higher Education Incentive Funding Program Act and appropriates \$5 million for state matching funds. The bill establishes within the Department of Treasury a program under which New Jersey's public and private institutions of higher education that receive substantial gifts of cash or marketable securities would qualify for state funds partially matching those gifts. The amount of matching funds payable would depend upon whether the gifts were endowment contributions or donations, and also upon the type of institution to which the gifts are made.

S-1074, sponsored by Senators Donald T. DiFrancesco (R- Middlesex/Morris/Somerset/Union) and Joseph M. Kyrillos, Jr. (R- Middlesex/Monmouth) and Assembly Members Joseph Azzolina (R- Middlesex/Monmouth) and Anthony Impreveduto (D-Bergen/Hudson, provides expanded sales and use tax exemptions for the film and video industry. Under current law, film production equipment including cameras, lighting equipment, sound recorders and film are exempt from the sales tax. This legislation expands the list to mirror those exempted in New York by exempting all products used and consumed directly and primarily in the production of a film. Newly tax exempt products include cars, lumber and supplies used in the production of a film. Tangible personal property incidental to the making of a film such as accommodations, prepared foods, and other products used by the film crew and actors and actresses would continue to be taxable.