

VETO MESSAGE:

No

GOVERNOR'S PRESS RELEASE ON SIGNING:

Yes 6-29-09

FOLLOWING WERE PRINTED:

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REPORTS:

No

HEARINGS:

No

NEWSPAPER ARTICLES:

Yes

"Corzine signs, praises \$29B state budget," Courier-Post, 6-30-09, p.1B

"Tax amnesty nets \$725M, restores rebates," Asbury Park Press, 6-30-09, p.A3

"Gov. cites savings, GOP slams spending in \$29B budget," Asbury Park Press, 6-30-09, p.A1

"Corzine signs \$29B budget," Burlington County Times, 6-30-09

"Guv inks budget," The Trentonian, 6-30-09

"State budget reduces property tax rebates," Courier News, 6-30-09

"Corzine signs \$29B budget," The Record, 6-30-09, p. A04

"Jersey's \$29B budget takes effect," The Times, 6-30-09, p. A01

"Governor approves \$29B tab," The Star-Ledger, 6-30-09, p. 012

"Corzine signs \$28.9B state budget, while Republicans warn of future problems, The Press of Atlantic city, 6-30-09, p. A1

"'Proud' Corzine signs budget," The Philadelphia Inquirer, 6-30-09, p.B01

"Governor Corzine signs off on state budget cut to rebates, vice tax hikes," Gloucester County Times, 6-30-09

LAW/IS 5/11/10

1 AN ACT increasing the excise tax on alcoholic beverages other than
2 beer and dedicating additional revenue to the Health Care
3 Subsidy Fund, amending R.S.54:43-1 and supplementing
4 P.L.1992, c.160 (C 26:2H-18.51 et seq.).
5

6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:
8

9 1. R.S.54:43-1 is amended to read as follows:

10 54:43-1. Tax rates. There are hereby levied and imposed upon
11 any sale of alcoholic beverages made within this State or upon any
12 delivery of alcoholic beverages made within or into this State the
13 following excise taxes:

14 a. Beer--From July 1, 1990 through June 30, 1992, at the rate
15 of \$0.10 a gallon or fraction thereof and on or after July 1, 1992, at
16 the rate of \$0.12 a gallon or fraction thereof.

17 b. Liquors--From July 1, 1990 through June 30, 1992, at the
18 rate of \$4.20 a gallon [and] , on or after July 1, 1992 through
19 '[June 30] July 31' , 2009, at the rate of \$4.40 a gallon and on or
20 after '[July 1] August 1' , 2009, at the rate of \$5.50 a gallon.

21 c. (Deleted by amendment, P.L.1972, c.53.)

22 d. (Deleted by amendment, P.L.1972, c.53.)

23 e. Wines, vermouth and sparkling wines--From July 1, 1990
24 through June 30, 1992, at the rate of \$0.50 a gallon [and] , on or
25 after July 1, 1992 through '[June 30] July 31' , 2009, at the rate of
26 \$0.70 a gallon; and on or after '[July 1] August 1' , 2009, at the
27 rate of \$0.875 a gallon, provided however, that cider containing at
28 least three and two-tenths per centum (3 2/10 %) of alcohol by
29 volume but not more than 7 per centum (7%) of alcohol by volume
30 shall be taxed at the rate of ~~[\$0.12]~~ \$0.15 a gallon.

31 (cf: P.L.1997, c.153, s.2)
32

33 2. (New section) Commencing with fiscal years beginning on
34 and after July 1, 2009, there shall be deposited annually in the
35 Health Care Subsidy Fund established pursuant to section 8 of
36 P.L.1992, c.160 (C.26:2H-18.58), the sum of \$22,000,000 from the
37 revenue collected annually pursuant to the "Alcoholic Beverage Tax
38 Law," R.S.54:41-1 et seq.
39

40 3. This act shall take effect July 1, 2009.

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:

¹Assembly ABU committee amendments adopted June 15, 2009.

A4104 WISNIEWSKI

3

1 SPONSOR'S STATEMENT

2

3 This bill increases the alcoholic beverage tax rate on liquor,
4 wines, vermouth and sparkling wines by 25%. The tax rate on
5 liquor is increased from \$4.40 a gallon to \$5.50 a gallon and on
6 wines, vermouth and sparkling wines from \$0.70 a gallon to \$0.875
7 a gallon. The rate on certain hard cider is increased from \$0.12 a
8 gallon to \$0.15 a gallon.

9 The bill also annually dedicates \$22,000,000 of alcoholic
10 beverage tax revenue to the Health Care Subsidy Fund beginning in
11 State fiscal year 2010.

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4104

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: JUNE 15, 2009

The Assembly Budget Committee reports favorably Assembly Bill No. 4104, with committee amendments.

The bill, as amended, increases the alcoholic beverage tax rate imposed on certain alcoholic beverages, and dedicates certain additional revenues generated by the tax to the Health Care Subsidy Fund.

Under the provisions of the bill, the tax rate imposed on liquor, wine, vermouth, sparkling wine, and hard cider is increased by 25%. Beginning on August 1, 2009, the rate of tax imposed on liquor is increased from \$4.40 per gallon to \$5.50 per gallon; the rate of tax imposed on wine, vermouth, and sparkling wine is increased from \$0.70 per gallon to \$0.875 per gallon; and, the rate of tax imposed on hard cider (cider with an alcohol content by volume of at least 3 2/10% but not more than 7%) is increased from \$0.12 per gallon to \$0.15 per gallon.

The alcoholic beverage tax is a unit tax on gallonage of alcoholic beverages and is due and payable on the first sale or delivery in New Jersey, other than sales or deliveries for resale or consumption outside this State. The tax is paid by licensed manufacturers, wholesalers, and distributors on a bimonthly basis.

In addition, the bill annually dedicates certain additional revenues from the alcoholic beverage tax to the Health Care Subsidy Fund. Beginning in State fiscal year 2010 and each fiscal year thereafter \$22,000,000 collected from the tax is to be deposited into the fund.

FISCAL IMPACT:

The Governor's fiscal year 2010 Budget assumed that raising the alcoholic beverage tax rate imposed on liquor, wine, vermouth, sparkling wine, and hard cider by 25% beginning July 1, 2009 would increase State tax collections by \$22.0 million for full fiscal year 2010.

The Office of Legislative Services (OLS) estimates that for the full fiscal year 2010 the bill would increase State revenues by \$23.5 million. Of that amount, the OLS projects \$22.0 million is derived from the alcoholic beverage tax and \$1.5 million from the sales and

use tax. A proportionate reduction of that estimate for only 11 months during fiscal year 2010 would approximate a total increase in State revenues of \$20,240,000.

Given the marginal impact of the tax rate increase on alcoholic beverage prices, the OLS assumes the higher rate of tax will not negatively affect sales to licensed manufacturers, wholesalers, and distributors in this State.

COMMITTEE AMENDMENTS:

The committee amended the bill to change the date of the rate increases from July 1, 2009 to August 1, 2009.

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 4104

STATE OF NEW JERSEY 213th LEGISLATURE

DATED: JUNE 24, 2009

SUMMARY

- Synopsis:** Increase tax rates on liquor and wines, vermouth, sparkling wines and hard cider and dedicates additional revenue to the Health Care Subsidy Fund.
- Type of Impact:** An annually recurring revenue gain to the off-budget State Health Care Subsidy Fund and to the State General Fund.
- Agencies Affected:** Department of the Treasury;
Department of Health and Senior Services.

Office of Legislative Services Estimate

Fiscal Impact	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Alcoholic Beverage Tax Gain	\$20,200,000	\$22,300,000	\$22,800,000
Sales and Use Tax Gain	\$1,400,000	\$1,600,000	\$1,600,000
Total State Revenue Gain	\$21,600,000	\$23,900,000	\$24,400,000

- The Office of Legislative Services (OLS) estimates that the bill augments FY 2010 State revenues by \$21.6 million. Of this increase, \$20.2 million comes from the alcoholic beverage tax and \$1.4 million from the sales and use tax. While the sales and use tax gain accrues to the State General Fund, the alcoholic beverage tax revenue effect concerns the off-budget Health Care Subsidy Fund and the State General Fund.
- Given the marginal impact of the tax increase on wine and spirits prices, the OLS assumes that the higher alcoholic beverage tax rate will not depress wine and spirits sales. The bill raises the price of a 0.75 liter bottle of wine by 3.5¢, and that of a 0.75 liter bottle of spirits by 21.8¢. Even if consumers were to substitute a cheaper bottle for the one they would have bought absent the tax increase, the State would still collect the same amount of alcoholic beverage tax revenue, as the tax is not levied on the value of the wine but on its volume.
- The Executive has not submitted a fiscal estimate for the legislation. However, the Governor's FY 2010 Budget assumes that raising the alcoholic beverage tax rate on liquor,

wines, vermouth, and sparkling wines by 25 percent would increase FY 2010 State alcoholic beverage tax collections by \$22.0 million if the increase were in effect for a full 12 months.

BILL DESCRIPTION

Assembly Bill No. 4104 (1R) of 2009 increases the alcoholic beverage tax rate on liquor, wines, vermouth, and sparkling wines by 25 percent effective August 1, 2009. The tax rate on liquor is increased from \$4.40 a gallon to \$5.50 a gallon and on wines, vermouth, and sparkling wines from \$0.70 a gallon to \$0.875 a gallon. The rate on certain hard cider is increased from \$0.12 a gallon to \$0.15 a gallon. The bill also dedicates \$22.0 million of annual alcoholic beverage tax revenues to the Health Care Subsidy Fund.

FISCAL ANALYSIS

EXECUTIVE BRANCH

The Executive has not submitted a fiscal estimate for the legislation. However, the Governor's FY 2010 Budget assumes that raising the alcoholic beverage tax rate on liquor, wines, vermouth, and sparkling wines by 25 percent would increase FY 2010 State alcoholic beverage tax collections by \$22.0 million if the increase were in effect for a full 12 months.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the bill augments FY 2010 State revenues by \$21.6 million. Of this increase, \$20.2 million comes from the alcoholic beverage tax and \$1.4 million from the sales and use tax. While the sales and use tax gain accrues to the State General Fund, the alcoholic beverage tax revenue effect concerns the off-budget Health Care Subsidy Fund and the State General Fund. The table below displays the legislation's cumulative impact from FY 2010 through FY 2015 on the two funds. The projections for the out years assume an annual 1.96 percent rate of growth in the consumption of alcoholic beverages.

OLS Estimate of Cumulative Impact of A-4104 (1R) on Affected State Funds						
Fund	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Health Care Subsidy Fund	\$22,000,000	\$22,000,000	\$22,000,000	\$22,000,000	\$22,000,000	\$22,000,000
General Fund	(\$400,000)	\$1,900,000	\$2,400,000	\$2,800,000	\$3,400,000	\$3,800,000
Total State Revenue Gain	\$21,600,000	\$23,900,000	\$24,400,000	\$24,800,000	\$25,400,000	\$25,800,000

Alcoholic Beverage Tax: The OLS estimates that the bill a) increases alcoholic beverage tax collections to be deposited in the off-budget Health Care Subsidy Fund by \$22.0 million per year, and b) reduces alcoholic beverage tax collections to be deposited in the State General Fund by \$1.8 million in FY 2010 and increases them by \$300,000 in FY 2011 and by growing

amounts in every year thereafter. The table on the next page shows the legislation's impact on the two funds from FY 2010 through FY 2015.

The impact of the legislation on the State General Fund is variable because of the dedication of a fixed \$22.0 million of total alcoholic beverage tax collections to the Health Care Subsidy Fund per year. If, in any year, the amount the State collects from the increase in the alcoholic beverage tax rate is less than \$22.0 million, the difference will have to be transferred from the General Fund to the Health Care Subsidy Fund. The OLS anticipates this scenario to materialize in FY 2010, for the \$22.0 million dedication assumes that the tax increase would be in effect for 12 months, when the tax increase will only be in effect for 11 months in FY 2010 under the bill's provisions. Conversely, in FY 2011, the State General Fund stands to gain additional revenue from this bill, as the tax rate increase will be in effect for the entire fiscal year, and as the receipts ensuing from any future growth in alcoholic beverage consumption are deposited in the General Fund.

OLS Estimate of Alcoholic Beverage Tax Impact of A-4104 (1R) on Affected State Funds						
Fund	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Health Care Subsidy Fund	\$22,000,000	\$22,000,000	\$22,000,000	\$22,000,000	\$22,000,000	\$22,000,000
General Fund	(\$1,800,000)	\$300,000	\$800,000	\$1,200,000	\$1,700,000	\$2,100,000
Total State Revenue Gain	\$20,200,000	\$22,300,000	\$22,800,000	\$23,200,000	\$23,700,000	\$24,100,000

The New Jersey Wine and Spirits Wholesalers' Association provided written testimony to the Assembly Budget Committee on April 2, 2009 indicating that 14.8 million gallons of spirits and 28.9 million gallons of wine were sold in New Jersey in 2007. Multiplying these totals by the alcoholic beverage tax rates of \$4.40 for spirits and \$0.70 for wine the OLS calculates that in 2007 the State collected \$64.9 million in alcoholic beverage tax revenues from the sale of spirits and \$20.2 million from the sale of wine.

The OLS inflates the \$85.1 million in 2007 alcoholic beverage tax receipts from the sale of spirits and wine by the following percentages to obtain an equivalent FY 2010 estimate of \$87.6 million: 0.78 percent (the actual FY 2008 increase in total alcoholic beverage tax collections), 1.82 percent (the FY 2009 increase in total alcoholic beverage tax collections estimated by the OLS), and 0.28 percent (the FY 2010 increase in base alcoholic beverage tax collections estimated by the OLS).

To gauge the estimated \$20.2 million FY 2010 alcoholic beverage tax gain attributable to this bill, the OLS takes 25 percent of the \$87.6 million in estimated FY 2010 alcoholic beverage tax receipts from the sale of spirits and wine. The office lowers the resultant \$22.0 million by 1/12 to account for the August 1, 2009 effective date for the tax rate increase. For the out years, the office inflates the \$22.0 million that would be collected in FY 2010 if the tax rate increase were in effect during the full fiscal year by 1.96 percent per year, which was the annualized rate of growth in total alcoholic beverage tax collections from FY 2000 through FY 2008.

Given the marginal impact of the tax increase on wine and spirits prices, the OLS assumes that the higher alcoholic beverage tax rate will not depress wine and spirits sales. For wine the tax increase is 17.5¢ per gallon—a 3.5¢ increase on a typical 0.75 liter bottle of wine, or a 0.35 percent price increase on a \$10 bottle. Even if consumers were to substitute a cheaper bottle of wine for the one they would have bought absent the tax increase, the State would still collect the same amount of alcoholic beverage tax revenue, as the tax is not levied on the value of the wine but on its volume.

The OLS holds the same expectations for spirits, although the impact is somewhat more significant. The bill increases the tax by \$1.10 per gallon of spirits. This elevates the cost of a 0.75 liter bottle of cognac, for example, by 21.8¢—a 0.54 percent price differential to the consumer on a \$40 bottle of cognac.

Sales and Use Tax: The OLS projects the bill to increase FY 2010 sales and use tax revenue to the State General Fund by \$1.5 million. The office arrives at the projection by multiplying the estimated alcoholic beverage tax revenue gain for the respective year by the State’s seven percent sales and use tax rate. The table below shows the effect of the legislation on sales tax collections from FY 2010 through FY 2015.

OLS Estimate of Sales Tax Impact of A-4104 (1R) on State General Fund						
Sales Tax Impact	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Revenue Gain	\$1,400,000	\$1,600,000	\$1,600,000	\$1,600,000	\$1,700,000	\$1,700,000

Section: Revenue, Finance and Appropriations

*Analyst: Thomas Koenig
Senior Fiscal Analyst*

*Approved: David J. Rosen
Legislative Budget and Finance Officer*

This fiscal estimate has been prepared pursuant to P.L. 1980, c.67 (C.52:13B-1 et seq.).

S2013 WEINBERG

3

1 SPONSOR'S STATEMENT

2

3 This bill increases the alcoholic beverage tax rate on liquor,
4 wines, vermouth and sparkling wines by 25%. The tax rate on
5 liquor is increased from \$4.40 a gallon to \$5.50 a gallon and on
6 wines, vermouth and sparkling wines from \$0.70 a gallon to \$0.875
7 a gallon. The rate on certain hard cider is increased from \$0.12 a
8 gallon to \$0.15 a gallon.

9 The bill also annually dedicates \$22,000,000 of alcoholic
10 beverage tax revenue to the Health Care Subsidy Fund beginning in
11 State fiscal year 2010.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2013

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 15, 2009

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2013, with committee amendments.

This bill, as amended by the committee, increases the alcoholic beverage tax rate imposed on certain alcoholic beverages, and dedicates certain additional revenues generated by the tax to the Health Care Subsidy Fund.

Under the provisions of the bill, the tax rate imposed on liquor, wine, vermouth, sparkling wine, and hard cider is increased by 25%. Beginning on August 1, 2009, the rate of tax imposed on liquor is increased from \$4.40 per gallon to \$5.50 per gallon; the rate of tax imposed on wine, vermouth, and sparkling wine is increased from \$0.70 per gallon to \$0.875 per gallon; and, the rate of tax imposed on hard cider (cider with an alcohol content by volume of at least 3 2/10% but not more than 7%) is increased from \$0.12 per gallon to \$0.15 per gallon.

The alcoholic beverage tax is a unit tax on gallonage of alcoholic beverages and is due and payable on the first sale or delivery in New Jersey, other than sales or deliveries for resale or consumption outside this State. The tax is paid by licensed manufacturers, wholesalers, and distributors on a bimonthly basis.

In addition, the bill annually dedicates certain additional revenues from the alcoholic beverage tax to the Health Care Subsidy Fund. Beginning with State fiscal year 2010 and each fiscal year thereafter, \$22,000,000 collected from the tax is to be deposited into the fund.

COMMITTEE AMENDMENTS:

The committee amended the bill to change the date the tax rate increase takes effect from July 1, 2009 to August 1, 2009.

FISCAL IMPACT:

The Governor's fiscal year 2010 Budget assumes that raising the alcoholic beverage tax rate imposed on liquor, wine, vermouth, sparkling wine, and hard cider by 25% beginning July 1, 2009 would increase State tax collections by \$22.0 million for fiscal year 2010.

The Office of Legislative Services (OLS) estimates that for the full fiscal year 2010 the bill would increase State revenues by \$23.5 million. Of that amount, the OLS projects \$22.0 million is derived from the alcoholic beverage tax and \$1.5 million from the sales and use tax. A proportionate reduction of that estimate for 11 months during fiscal year 2010 would approximate a total increase in State revenues of \$20.2 million.

Given the marginal impact of the tax rate increase on alcoholic beverage prices, the OLS assumes the higher rate of tax will not negatively affect sales to licensed manufacturers, wholesalers, and distributors in this State.

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 2013

STATE OF NEW JERSEY 213th LEGISLATURE

DATED: JUNE 24, 2009

SUMMARY

- Synopsis:** Increase tax rates on liquor and wines, vermouth, sparkling wines and hard cider and dedicates additional revenue to the Health Care Subsidy Fund.
- Type of Impact:** An annually recurring revenue gain to the off-budget State Health Care Subsidy Fund and to the State General Fund.
- Agencies Affected:** Department of the Treasury;
Department of Health and Senior Services.

Office of Legislative Services Estimate

Fiscal Impact	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Alcoholic Beverage Tax Gain	\$20,200,000	\$22,300,000	\$22,800,000
Sales and Use Tax Gain	\$1,400,000	\$1,600,000	\$1,600,000
Total State Revenue Gain	\$21,600,000	\$23,900,000	\$24,400,000

- The Office of Legislative Services (OLS) estimates that the bill augments FY 2010 State revenues by \$21.6 million. Of this increase, \$20.2 million comes from the alcoholic beverage tax and \$1.4 million from the sales and use tax. While the sales and use tax gain accrues to the State General Fund, the alcoholic beverage tax revenue effect concerns the off-budget Health Care Subsidy Fund and the State General Fund.
- Given the marginal impact of the tax increase on wine and spirits prices, the OLS assumes that the higher alcoholic beverage tax rate will not depress wine and spirits sales. The bill raises the price of a 0.75 liter bottle of wine by 3.5¢, and that of a 0.75 liter bottle of spirits by 21.8¢. Even if consumers were to substitute a cheaper bottle for the one they would have bought absent the tax increase, the State would still collect the same amount of alcoholic beverage tax revenue, as the tax is not levied on the value of the wine but on its volume.
- The Executive has not submitted a fiscal estimate for the legislation. However, the Governor's FY 2010 Budget assumes that raising the alcoholic beverage tax rate on liquor,

wines, vermouth, and sparkling wines by 25 percent would increase FY 2010 State alcoholic beverage tax collections by \$22.0 million if the increase were in effect for a full 12 months.

BILL DESCRIPTION

Senate Bill No. 2013 (1R) of 2009 increases the alcoholic beverage tax rate on liquor, wines, vermouth, and sparkling wines by 25 percent effective August 1, 2009. The tax rate on liquor is increased from \$4.40 a gallon to \$5.50 a gallon and on wines, vermouth, and sparkling wines from \$0.70 a gallon to \$0.875 a gallon. The rate on certain hard cider is increased from \$0.12 a gallon to \$0.15 a gallon. The bill also dedicates \$22.0 million of annual alcoholic beverage tax revenues to the Health Care Subsidy Fund.

FISCAL ANALYSIS

EXECUTIVE BRANCH

The Executive has not submitted a fiscal estimate for the legislation. However, the Governor's FY 2010 Budget assumes that raising the alcoholic beverage tax rate on liquor, wines, vermouth, and sparkling wines by 25 percent would increase FY 2010 State alcoholic beverage tax collections by \$22.0 million if the increase were in effect for a full 12 months.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the bill augments FY 2010 State revenues by \$21.6 million. Of this increase, \$20.2 million comes from the alcoholic beverage tax and \$1.4 million from the sales and use tax. While the sales and use tax gain accrues to the State General Fund, the alcoholic beverage tax revenue effect concerns the off-budget Health Care Subsidy Fund and the State General Fund. The table below displays the legislation's cumulative impact from FY 2010 through FY 2015 on the two funds. The projections for the out years assume an annual 1.96 percent rate of growth in the consumption of alcoholic beverages.

OLS Estimate of Cumulative Impact of S-2013 (1R) on Affected State Funds						
Fund	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Health Care Subsidy Fund	\$22,000,000	\$22,000,000	\$22,000,000	\$22,000,000	\$22,000,000	\$22,000,000
General Fund	(\$400,000)	\$1,900,000	\$2,400,000	\$2,800,000	\$3,400,000	\$3,800,000
Total State Revenue Gain	\$21,600,000	\$23,900,000	\$24,400,000	\$24,800,000	\$25,400,000	\$25,800,000

Alcoholic Beverage Tax: The OLS estimates that the bill a) increases alcoholic beverage tax collections to be deposited in the off-budget Health Care Subsidy Fund by \$22.0 million per year, and b) reduces alcoholic beverage tax collections to be deposited in the State General Fund by \$1.8 million in FY 2010 and increases them by \$300,000 in FY 2011 and by growing

amounts in every year thereafter. The table on the next page shows the legislation's impact on the two funds from FY 2010 through FY 2015.

The impact of the legislation on the State General Fund is variable because of the dedication of a fixed \$22.0 million of total alcoholic beverage tax collections to the Health Care Subsidy Fund per year. If, in any year, the amount the State collects from the increase in the alcoholic beverage tax rate is less than \$22.0 million, the difference will have to be transferred from the General Fund to the Health Care Subsidy Fund. The OLS anticipates this scenario to materialize in FY 2010, for the \$22.0 million dedication assumes that the tax increase would be in effect for 12 months, when the tax increase will only be in effect for 11 months in FY 2010 under the bill's provisions. Conversely, in FY 2011, the State General Fund stands to gain additional revenue from this bill, as the tax rate increase will be in effect for the entire fiscal year, and as the receipts ensuing from any future growth in alcoholic beverage consumption are deposited in the General Fund.

OLS Estimate of Alcoholic Beverage Tax Impact of S-2013 (1R) on Affected State Funds						
Fund	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Health Care Subsidy Fund	\$22,000,000	\$22,000,000	\$22,000,000	\$22,000,000	\$22,000,000	\$22,000,000
General Fund	(\$1,800,000)	\$300,000	\$800,000	\$1,200,000	\$1,700,000	\$2,100,000
Total State Revenue Gain	\$20,200,000	\$22,300,000	\$22,800,000	\$23,200,000	\$23,700,000	\$24,100,000

The New Jersey Wine and Spirits Wholesalers' Association provided written testimony to the Assembly Budget Committee on April 2, 2009 indicating that 14.8 million gallons of spirits and 28.9 million gallons of wine were sold in New Jersey in 2007. Multiplying these totals by the alcoholic beverage tax rates of \$4.40 for spirits and \$0.70 for wine the OLS calculates that in 2007 the State collected \$64.9 million in alcoholic beverage tax revenues from the sale of spirits and \$20.2 million from the sale of wine.

The OLS inflates the \$85.1 million in 2007 alcoholic beverage tax receipts from the sale of spirits and wine by the following percentages to obtain an equivalent FY 2010 estimate of \$87.6 million: 0.78 percent (the actual FY 2008 increase in total alcoholic beverage tax collections), 1.82 percent (the FY 2009 increase in total alcoholic beverage tax collections estimated by the OLS), and 0.28 percent (the FY 2010 increase in base alcoholic beverage tax collections estimated by the OLS).

To gauge the estimated \$20.2 million FY 2010 alcoholic beverage tax gain attributable to this bill, the OLS takes 25 percent of the \$87.6 million in estimated FY 2010 alcoholic beverage tax receipts from the sale of spirits and wine. The office lowers the resultant \$22.0 million by 1/12 to account for the August 1, 2009 effective date for the tax rate increase. For the out years, the office inflates the \$22.0 million that would be collected in FY 2010 if the tax rate increase were in effect during the full fiscal year by 1.96 percent per year, which was the annualized rate of growth in total alcoholic beverage tax collections from FY 2000 through FY 2008.

Given the marginal impact of the tax increase on wine and spirits prices, the OLS assumes that the higher alcoholic beverage tax rate will not depress wine and spirits sales. For wine the tax increase is 17.5¢ per gallon—a 3.5¢ increase on a typical 0.75 liter bottle of wine, or a 0.35 percent price increase on a \$10 bottle. Even if consumers were to substitute a cheaper bottle of wine for the one they would have bought absent the tax increase, the State would still collect the same amount of alcoholic beverage tax revenue, as the tax is not levied on the value of the wine but on its volume.

The OLS holds the same expectations for spirits, although the impact is somewhat more significant. The bill increases the tax by \$1.10 per gallon of spirits. This elevates the cost of a 0.75 liter bottle of cognac, for example, by 21.8¢—a 0.54 percent price differential to the consumer on a \$40 bottle of cognac.

Sales and Use Tax: The OLS projects the bill to increase FY 2010 sales and use tax revenue to the State General Fund by \$1.5 million. The office arrives at the projection by multiplying the estimated alcoholic beverage tax revenue gain for the respective year by the State's seven percent sales and use tax rate. The table below shows the effect of the legislation on sales tax collections from FY 2010 through FY 2015.

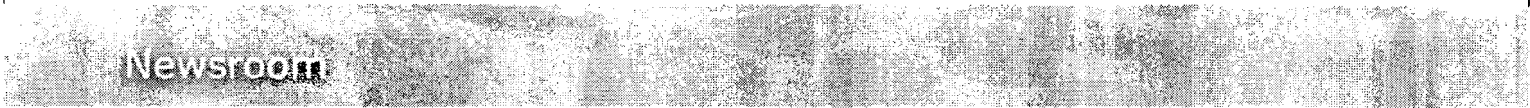
OLS Estimate of Sales Tax Impact of S-2013 (1R) on State General Fund						
Sales Tax Impact	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Revenue Gain	\$1,400,000	\$1,600,000	\$1,600,000	\$1,600,000	\$1,700,000	\$1,700,000

Section: Revenue, Finance and Appropriations

*Analyst: Thomas Koenig
Senior Fiscal Analyst*

*Approved: David J. Rosen
Legislative Budget and Finance Officer*

This fiscal estimate has been prepared pursuant to P.L. 1980, c.67 (C.52:13B-1 et seq.).



Home > Newsroom > Press Releases > 2009 > Jun-29-09 Governor Corzine Signs \$29 Billion State Budget That Reflects Ethic of Shared Responsibility

JON S. CORZINE
Governor

For Immediate Release:
Date: June 29, 2009

For More Information:
Robert Corrales

Phone: 609-777-2600

Governor Corzine Signs \$29 Billion State Budget That Reflects Ethic of Shared Responsibility

Amid deep national recession, FY2010 budget makes the right choices: It prioritizes education, health care and seniors at the same time it provides unprecedented relief from property taxes to all New Jerseyans and direct tax rebates to 1 million working families.

TRENTON – Governor Jon S. Corzine today signed legislation adopting a \$29 billion budget for FY2010 that is \$1.8 billion less than the first budget he signed four years ago.

“For over six decades, New Jersey Governors and Legislators have talked about the need to make state government leaner,” Governor Corzine said. “But for over six decades, the size and cost have government have continued to grow – until now. The budget I signed is \$1.8 billion smaller than the first budget I signed in 2006 and is \$4 billion smaller than last year’s budget, yet we have expanded my administration’s unequalled investment in direct property tax relief for working families – \$7 billion in four years. We have proven that government can do more with less.”

The bare-bones appropriations act (A-4100/S-2010) is an unprecedented reduction in the size of State government. Every department, agency and authority was ordered to make cuts. There were more than 850 line items eliminated or reduced – everything from \$300 million saved by renegotiating state worker union contracts to cutting up gas cards to consolidating office space and reducing the number of cars in the state motor pool.

Scarce resources presented tough choices, but the governor and Democratic lawmakers prioritized funding for education, health care and senior citizens. The budget also provides much-needed property tax relief for homeowners, including 1 million who will receive direct relief through rebate checks of as much as \$900 per household.

“Today, we can be proud of a budget that honors our commitment to our children, seniors, and the most vulnerable,” Governor Corzine said. “It’s a budget that protects the working-class taxpayer and one which asks a little more of those who can afford it. This budget reflects an ethic of shared responsibility.”

The Governor thanked Democratic leaders in the Senate and the General Assembly for their efforts in holding public hearings and securing passage of the final spending plan.

“Everyone involved in crafting this year’s budget should be commended for the level of civility and cooperation employed in a year that could have easily devolved into chaos,” said Senate President Richard J. Codey (D-Essex). “Instead, what we have is a budget that is \$4 billion leaner, yet still provides vital services to our residents, and is being signed into law well before our deadline.”

“We have always said that we would seek to provide as much property tax relief as possible, and this budget honors that commitment to put property taxpayers first,” said Assembly Speaker Joseph J. Roberts, Jr. (D-Camden).

“Even with historic cuts, this budget focuses on our core mission as a state – educating our children, improving public health, keeping residents safe and providing vital property tax relief to middle-class families,” said Assemblyman Louis Greenwald (D-Camden), chairman of the Assembly Budget Committee. “As other states continue to make unconscionable cuts to their residents’ core values, we continue to strengthen ours.”

More Information

[Ten Good Things in the FY2010 Budget](#)

[Video: What's in the FY2010 Budget?](#)

[FY2010 Budget Documents](#)

[Governor Recommends Restoration of Property Tax Relief](#)

The Governor earlier signed other budget related measures including:

- A-4101/S-2011 (Greenwald/Buono) – Makes FY 2009 supplemental appropriations totaling \$20,768,000 reduces FY 2009 appropriations by \$27,500,000 and amends and supplements various language provisions affecting appropriations in FY 2009
- A-4102/S-2015 (Watson Coleman/Buono) – Temporarily increases income tax rates for taxpayers with income exceeding \$400,000, temporarily adjusts property tax deduction for certain taxpayers with income exceeding \$150,000 and taxes New Jersey Lottery Prizes exceeding \$10,000
- A-4103/S-2012 (Diegnan/Codey) – Raises cigarette tax rate from \$2.575 to \$2.70 per pack and dedicates additional revenue to the Health Care Subsidy Fund
- A-4104/S-2013 (Wisniewski/Weinberg) – Increase tax rates on liquor and wines, vermouth, sparkling wines and hard cider and dedicates additional revenue to the Health Care Subsidy Fund
- A-4105/S-2014 (Pou, Evans/Sweeney) – Provides one year extension of 4% surcharge on corporation business tax liability and decouples corporation business tax from federal Internal Revenue Code deferral of certain discharge of indebtedness income
- A-4106/S-2018 (Green, Jasey/Sweeney) – Directs NJHMFA to transfer up to \$12 million in unencumbered reserves to the State for rental assistance program and makes appropriation
- A-4107/S-2017 (Quigley, Chivukula, Coutinho/Sweeney) – Directs EDA to transfer up to \$22 million in unencumbered reserves to qualifying capital investment grant component of InvestNJ Business Grant Program
- A-4108/S-2016 (Cryan, Coutinho/Sweeney) – Concerns taxation of certain lines of insurance and dedicates certain additional revenues to the Health Care Subsidy Fund
- S-2020/S-A-4109 (Codey/McKeon, Chivukula) – Provides for the allocation of the State's annual bond volume limits on certain bonds in accordance with the federal American Recovery and Reinvestment Act of 2009
- A-3973/S-2797 (McKeon, Gusciora/Beach, O'Toole) – Appropriates funds to DEP for clean water environmental infrastructure projects

Budget charts can be viewed on the New Jersey State Treasury web page,
<http://www.state.nj.us/treasury/omb/publications/10budget/index.shtml>

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