

54:32 B - 8.48

LEGISLATIVE HISTORY CHECKLIST

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(Sales & use tax--imprinting)

NJSA: 54:32B-8.48

LAWS OF: 1997 **CHAPTER:** 333

BILL NO: S142

SPONSOR(S): Lynch and others

DATE INTRODUCED: January 11, 1996

COMMITTEE: **ASSEMBLY:** Appropriations
SENATE: Budget & Appropriations

AMENDED DURING PASSAGE: No

DATE OF PASSAGE: **ASSEMBLY:** December 18, 1997
SENATE: February 5, 1995

DATE OF APPROVAL: January 12, 1998

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: **ASSEMBLY:** Yes
SENATE: Yes

FISCAL NOTE: Yes

VETO MESSAGE: No

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

KBP:pp

§1
C. 54:32B-8.48
§2
Note To §1

P.L. 1997, CHAPTER 333, *approved January 12, 1998*
Senate, No. 142

1 AN ACT exempting certain imprinting services performed on
2 manufacturing equipment from the sales and use tax, supplementing
3 P.L.1966, c.30.

4

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

7

8 1. Receipts from the following services are exempt from the "Sales
9 and Use Tax Act:" imprinting services performed on machinery,
10 apparatus or equipment for use or consumption directly and primarily
11 in the production of tangible personal property for sale by
12 manufacturing, processing, assembling or refining and exempt from
13 taxation pursuant to subsection a. of section 25 of P.L.1980, c.105
14 (C.54:32B-8.13).

15

16 2. This act shall take effect immediately but section 1 shall remain
17 inoperative until the first day of the second month following
18 enactment.

19

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23 Exempts certain imprinting services on manufacturing equipment from
24 sales and use tax.

SENATE, No. 142

STATE OF NEW JERSEY

Introduced Pending Technical Review by Legislative Counsel

PRE-FILED FOR INTRODUCTION IN THE 1996 SESSION

By Senator LYNCH

1 AN ACT exempting certain imprinting services performed on
2 manufacturing equipment from the sales and use tax, supplementing
3 P.L.1966, c.30.

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13 taxation pursuant to subsection a. of section 25 of P.L.1980, c.105
14 (C.54:32B-8.13).

15
16 2. This act shall take effect immediately but section 1 shall remain
17 inoperative until the first day of the second month following
18 enactment.

19
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21 STATEMENT

22
23 This bill provides a sales tax exemption for imprinting services
24 performed on production machinery. Currently, sales of machinery,
25 apparatus and equipment used directly and primarily in the production
26 of tangible personal property is exempt from the sales and use tax
27 while sales of fabricating, processing, installation and maintenance
28 services to that production machinery are taxable. This bill provides
29 an exemption for of those currently taxable services, imprinting
30 services. Imprinting services for production machinery are, for
31 example, the engraving and etching services to printing machinery
32 used in the production of patterned textiles and wall and floor
33 coverings.

- 1 _____
- 2
- 3 Exempts certain imprinting services on manufacturing equipment from
- 4 sales and use tax.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 142

STATE OF NEW JERSEY

DATED: OCTOBER 7, 1996

The Assembly Appropriations Committee reports favorably Senate Bill No. 142.

Senate Bill No. 142 provides a sales tax exemption for imprinting services performed on production machinery.

Currently, sales of machinery, apparatus and equipment used directly and primarily in the production of tangible personal property is exempt from the sales and use tax while sales of fabricating, processing, installation and maintenance services to that production machinery are taxable. This bill provides an exemption for one of those currently taxable services: imprinting services. Imprinting services for production machinery are, for example, the engraving and etching services to printing machinery used in the production of patterned textiles and wall and floor coverings.

This bill is identical to Assembly Bill No. 1702.

FISCAL IMPACT:

The Division of Taxation estimates the impact of the bill will be a decrease in sales tax revenue of \$1.1 million in FY 1997 and \$1.1 million in FY 1998. Analysis by the Office of Legislative Services, described in a fiscal note to the bill, cautions that while the initial State revenue loss attributable to the bill may be somewhat less than that predicted by the division, unlike the flat impact predicted by the division the revenue loss will grow in the years following enactment.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 142

STATE OF NEW JERSEY

DATED: JANUARY 29, 1996

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 142 of 1996.

Senate Bill No. 142 provides a sales tax exemption for imprinting services performed on production machinery.

Currently, sales of machinery, apparatus and equipment used directly and primarily in the production of tangible personal property is exempt from the sales and use tax while sales of fabricating, processing, installation and maintenance services to that production machinery are taxable. This bill provides an exemption for one of those currently taxable services: imprinting services. Imprinting services for production machinery are, for example, the engraving and etching services to printing machinery used in the production of patterned textiles and wall and floor coverings.

This bill was prefiled in the 1996-97 Legislative Session pending technical review. As reported, the bill includes changes required by technical review which has been performed.

FISCAL IMPACT

In a fiscal note prepared by the Office of Legislative Services on an identical version of this bill in the 1994-95 Legislative Session, the Division of Taxation estimated that losses to State revenues would be \$1 million in FY1997. With little current data available, this estimate was calculated using data from the Census of Manufacturers for 1982 and 1987. In 1982, the sales of imprinting services in New Jersey were reported to be \$9 million, and in 1987 sales had grown 44 percent to \$13 million. By assuming an identical 44 percent growth since 1987, the division calculated that sales had grown to \$18 million of which \$1.1 million is collected in sales and use taxes (based on a 6 percent rate).

The Office of Legislative Services (OLS) was able to replicate the method of analysis performed by the division and generally concurred with its accuracy. Nevertheless, OLS cautions that the division's growth estimate of 44 percent between 1988 and the present for the industry is too optimistic. Therefore, OLS believes that the imprinting services industry in New Jersey did not grow at the robust rate indicated by the division's analysis, and as a result, the revenue loss will be less than their estimate suggests.

FISCAL NOTE TO
SENATE, No. 142
STATE OF NEW JERSEY

DATED: JULY 18, 1996

Senate Bill No.142 of 1996 would exempt from the sales and use tax imprinting services performed on production machinery or equipment that are used in the production of tangible personal property.

The Division of Taxation estimates that losses to State revenue will be \$1.1 million in FY 1997 and \$1.1 million in FY 1998. With little current data available, this estimate is calculated using data from the Census of Manufacturers for 1982 and 1987. In 1982 the sales of imprinting services in New Jersey were reported to be \$9 million, and in 1987 sales had grown 44 percent to \$13 million. By assuming an identical 44 percent growth since 1987, the division calculates that sales have grown to \$18 million of which \$1.1 million is collected in sales and use taxes (based on a 6 percent rate).

The Office of Legislative Services (OLS) has been able to replicate the method of analysis performed by the division and generally concurs with the validity of its methodology. Nevertheless, OLS cautions that two variables affect this estimate.

The division's growth estimate of 44 percent between 1988 and the present for the industry is too optimistic. The 1980s were a period of strong growth in many industries, including imprinting services, while the early 1990s saw smaller growth rates. In fact, some anecdotal evidence suggests that the imprinting industry, nationally, has seen a sales decline in the early 1990s. Therefore, OLS believes that the imprinting services industry in New Jersey did not grow at the robust rate indicated by the division's analysis, and as a result, the revenue loss will be less than the division's estimate suggests.

The OLS also notes that such optimistic growth rates would suggest a growing revenue loss to the State in successive years following enactment of this bill. Instead, in this fiscal note and in a previous note in response to an earlier version of this bill, the division has calculated that the revenue losses in fiscal years 1996-1998 will be a constant \$1.1 million loss. The OLS does not concur with this judgement. Instead, the OLS believes that the value of this exemption will increase proportionately with the value of imprinting services' industrial growth.

However, due to insufficient data, the OLS is unable to measure the rate of this growth or its impact on State revenues. Nevertheless, the OLS believes the initial State revenue loss attributable to this legislation to be somewhat lower and that the revenue loss will grow in the years following enactment.

S142
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This fiscal note has been prepared pursuant to P.L.1980, c.67.