

52:27H-66.1

LEGISLATIVE HISTORY CHECKLIST
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(Urban enterprize zones)

NJSA: 52:27H-66.1

LAWS OF: 1995 CHAPTER: 382

BILL NO: A2606

SPONSOR(S): Malone

DATE INTRODUCED: March 9, 1995

COMMITTEE: ASSEMBLY: Appropriations; Economic Development
SENATE: Budget; Urban Policy

AMENDED DURING PASSAGE: Yes Amendments during passage
First reprint enacted denoted by superscript numbers

DATE OF PASSAGE: ASSEMBLY: June 26, 1995
SENATE: December 7, 1995

DATE OF APPROVAL: January 9, 1996

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: ASSEMBLY: Yes 6-1-95 & 5-8-95
SENATE: Yes 11-17-95 & 10-19-95

FISCAL NOTE: Yes

VETO MESSAGE:

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

See newspaper clippings--attached:
"Whitman adds seven municipalities..." 1-10-96, Star Ledger.
"Whitman adds to zone list," 1-11-96, Philadelphia Inquirer.

KBP:pp

§3
C.52:27H-66.1
§4
Repealer
§5
Note To §§1-4

P.L.1995, CHAPTER 382, *approved January 9, 1996*
1995 Assembly No. 2606 (*Third Reprint*)

AN ACT concerning the designation of additional urban enterprise zones ²[and]₂,² amending and supplementing P.L.1983, c.303², and repealing section 30 of P.L.1983, c.303 (52:27H-89)².

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

1. Section 7 of P.L.1983, c.303 (C.52:27H-66) is amended to read as follows:

7. The authority shall designate enterprise zones from among those areas of qualifying municipalities determined to be eligible pursuant to this act. No more than [20] ¹[27] ²[28¹] ³[31²] 27³ enterprise zones shall be in effect at any one time. No more than one enterprise zone shall be designated in any one municipality. Any designation granted shall be for a period of 20 years and shall not be renewed at the end of that period. In designating enterprise zones the authority shall seek to avoid excessive geographic concentration of zones in any particular region of the State. At least six of the 10 additional enterprise zones authorized pursuant to ³[this 1993 amendatory and supplementary act] section 3 of P.L.1993, c.367³ shall be located in counties in which enterprise zones have not previously been designated and shall be designated within 90 days of the date of the submittal of an application and zone development plan. The authority shall accept applications within 90 days of the effective date of ³[this 1993 amendatory and supplementary act] P.L.1993, c.367³. Notwithstanding the provisions of P.L.1983, c.303 (C.52:27H-60 et seq.) to the contrary, the six additional enterprise zones to be designated by the authority pursuant to the criteria for priority consideration in this section shall be entitled to an exemption to the extent of 50% of the tax imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.). The following criteria shall be utilized in according priority consideration for designation of these zones by the authority:

a. One zone shall be located in a county of the second class with a population greater than 595,000 and less than 675,000 according to the latest federal decennial census and shall be located in the qualifying municipality in that county with the highest annual average number of unemployed persons and the highest average annual unemployment rate for the 1992 calendar year according to the estimate by the State Department of Labor;

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:

¹ Assembly AAP committee amendments adopted June 1, 1995.

² Senate SUP committee amendments adopted October 19, 1995.

³ Senate SBA committee amendments adopted November 27, 1995.

b. Two zones shall be located in a county of the second class with a population greater than 445,000 and less than 455,000 according to the latest federal decennial census, one of which shall be located in the qualifying municipality in that county with the highest annual average number of unemployed persons and the highest average annual unemployment rate for the 1992 calendar year according to the estimate by the State Department of Labor, and one of which shall be located in the qualifying municipality in that county with the second highest annual average number of unemployed persons and the second highest average annual unemployment rate for the 1992 calendar year according to the estimate by the State Department of Labor;

c. One zone shall be located in a county of the third class with a population greater than 84,000 and less than 92,000 according to the latest federal decennial census and shall be located in the qualifying municipality in that county with the highest annual average number of unemployed persons and the highest average annual unemployment rate for the 1992 calendar year according to the estimate by the State Department of Labor;

d. One zone shall be located within two noncontiguous qualifying municipalities but comprised of not more than two noncontiguous areas each having a continuous border, if:

(1) both municipalities are located in the same county which shall be a county of the fifth class with a population greater than 500,000 and less than 555,000 according to the latest federal decennial census;

(2) the two municipalities submit a joint application and zone development plan; and

(3) each of the municipalities has a population greater than 16,000 and less than 30,000 and a population density of more than 5,000 persons per square mile, according to the latest federal decennial census; and

e. One zone shall be located within a municipality having a population greater than 38,000 and less than 46,000 according to the latest federal decennial census if the municipality is located within a county of the fifth class with a population greater than 340,000 and less than 440,000 according to the latest federal decennial census.

(cf: P.L.1993, c.367, s.3)

12. Section 3 of P.L.1983, c.303 (C.52:27H-62) is amended to read as follows:

3. As used in this act:

a. "Enterprise zone" or "zone" means an urban enterprise zone designated by the authority pursuant to this act;

b. "Authority" means the New Jersey Urban Enterprise Zone Authority created by this act;

c. "Qualified business" means any entity authorized to do business in the State of New Jersey ²[that is not a casino hotel or facility ancillary to a casino hotel owned or operated by a person licensed to own or operate a casino hotel pursuant to P.L.1977, c.110 (C.5:12-1 et seq.)],² which, at the time of designation as an enterprise zone, is engaged in the active conduct of a trade or business in that zone; or an entity which, after that designation but during the designation period, becomes newly engaged in the

active conduct of a trade or business in that zone and has at least 25% of its full-time employees employed at a business location in the zone, meeting one or more of the following criteria:

(1) Residents within the zone, within another zone or within a qualifying municipality; or

(2) Unemployed for at least six months prior to being hired and residing in New Jersey, and recipients of New Jersey public assistance programs for at least six months prior to being hired, or either of the aforesaid; or

(3) Determined to be economically disadvantaged pursuant to the Jobs Training Partnership Act, Pub.L.97-300 (29 U.S.C. §1501 et seq.);

d. "Qualifying municipality" means any municipality in which there was, in the last full calendar year immediately preceding the year in which application for enterprise zone designation is submitted pursuant to section 14 of P.L.1983, c.303 (C.52:27H-73), an annual average of at least 2,000 unemployed persons, and in which the municipal average annual unemployment rate for that year exceeded the State average annual unemployment rate; except that any municipality which qualifies for State aid pursuant to P.L.1978, c.14 (C.52:27D-178 et seq.) shall qualify if its municipal average annual unemployment rate for that year exceeded the State average annual unemployment rate. The annual average of unemployed persons and the average annual unemployment rates shall be estimated for the relevant calendar year by the Office of Labor Statistics, Division of Planning and Research of the State Department of Labor. ²[For purposes of P.L.1983, c.303 (C.52:27H-60 et seq.), the seven municipalities in which the six enterprise zones are to be designated pursuant to criteria according priority consideration for designation of these zones pursuant to section 7 of P.L.1983, c.303 (C.52:27H-66), and the eight municipalities in which the eight enterprise zones are to be designated pursuant to criteria according priority consideration for designation of these zones pursuant to section 3 of P.L. , c. (C.) (now before the Legislature as this bill),] In addition to those municipalities that qualify pursuant to the criteria set forth above, that municipality accorded priority designation pursuant to subsection e. of section 7 of P.L.1983, c.303 (C.52:27H-66) and that municipality set forth in paragraph (7) of section 3 of P.L. , c. (C.) (now before the Legislature as this bill)² shall be deemed qualifying municipalities;

e. "Public assistance" means income maintenance funds administered by the Department of Human Services or by a county welfare agency;

f. "Zone development corporation" means a nonprofit corporation or association created or designated by the governing body of a qualifying municipality to formulate and propose a preliminary zone development plan pursuant to section 9 of P.L.1983, c.303 (C.52:27H-68) and to prepare, monitor, administer and implement the zone development plan;

g. "Zone development plan" means a plan adopted by the governing body of a qualifying municipality for the development of an enterprise zone therein, and for the direction and

coordination of activities of the municipality, zone businesses and community organizations within the enterprise zone toward the economic betterment of the residents of the zone and the municipality;

h. "Zone neighborhood association" means a corporation or association of persons who either are residents of, or have their principal place of employment in, a municipality in which an enterprise zone has been designated pursuant to this act; which is organized under the provisions of Title 15 of the Revised Statutes or Title 15A of the New Jersey Statutes; and which has for its principal purpose the encouragement and support of community activities within, or on behalf of, the zone so as to (1) stimulate economic activity, (2) increase or preserve residential amenities, or (3) otherwise encourage community cooperation in achieving the goals of the zone development plan; and

i. "Enterprise zone assistance fund" or "assistance fund" means the fund created by section 29 of P.L.1983, c.303 (C.52:27H-88).¹

(cf: P.L.1993, c.367, s.1)

¹[2.] 3.1 (New section) ³[2a.2]³ The additional ¹[seven] ²[eight]¹ seven² zones authorized pursuant to ³[this ²[1995 amendatory and supplementary act] subsection²] P.L. , c. (C.) (pending before the Legislature as this bill)³ shall be designated within 90 days of the date of the submittal of an application and zone development plan. The authority shall accept applications within 90 days of the effective date of ²[this 1995 amendatory and supplementary act] P.L. , c. (C.) (pending before the Legislature as this bill) for those zones that fulfill the criteria set forth in this ³[subsection²] section³. Notwithstanding the provisions of P.L.1983, c.303 (C.52:27H-60 et seq.) to the contrary, the ¹[seven] ²[eight]¹ seven² additional enterprise zones to be designated by the authority pursuant to the criteria for priority consideration set forth in this ²[section] ³[subsection²] section³ shall be entitled to an exemption to the extent of 50% of the tax imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.). The following criteria shall be utilized in according priority consideration for designation of ³the³ ²seven ³[of² the ¹[seven] ²[eight]¹ eleven²]³ additional enterprise zones authorized pursuant to ²[this 1995 amendatory and supplementary act] P.L. , c. (C.) (pending before the Legislature as this bill)²:

(1) One zone shall be located in a qualifying municipality with a population greater than 55,000 and less than 65,000 according to the latest federal decennial census in a county of the first class with a population ²[greater than 770,000 and less than 780,000] density greater than 6,100 and less than 6,700 persons per square mile² according to the latest federal decennial census provided that the qualifying municipality is contiguous to a municipality in which an enterprise zone is designated;

(2) ²[One zone shall be located in a qualifying municipality with a population greater than 30,000 and less than 40,000 according to the latest federal decennial census in a county of the fifth class with a population greater than 220,000 and less

than 230,000 according to the latest federal decennial census provided that the qualifying municipality is contiguous to a municipality in which an enterprise zone is designated;

(3)² One zone shall be located in a qualifying municipality with a population greater than 70,000 and less than 80,000 according to the latest federal decennial census ²[in a county of the first class with a population greater than 770,000 and less than 780,000 according to the latest federal decennial census provided that the qualifying municipality is contiguous to a municipality in which an enterprise zone is designated]²;

²[(4)] (3)² One zone shall be located in a qualifying municipality with a population greater than ²[37,000] 38,000² and less than ²[39,000] 39,500² according to the latest federal decennial census ²[in a county of the first class with a population greater than 550,000 and less than 560,000 according to the latest federal decennial census provided that the qualifying municipality is contiguous to a municipality in which an enterprise zone is designated]²;

²[(5)] (4)² One zone shall be located in a qualifying municipality with a population greater than 45,000 and less than 55,000 according to the latest federal decennial census ²[in a county of the first class with a population greater than 550,000 and less than 560,000 according to the latest federal decennial census provided that the qualifying municipality is contiguous to a municipality in which an enterprise zone is designated]²;

²[(6)] (5)² One zone shall be located in a qualifying municipality with a population greater than 21,000 and less than 22,000 ²[with a population density greater than 7,700 and less than 7,900 persons per square mile according to the latest federal decennial census, in a county of the second class with a population greater than 490,000 and less than 500,000 according to the latest federal decennial census provided that the qualifying municipality is contiguous to a municipality in which an enterprise zone is designated]²; ¹[and]¹

²[(7)] (6)² One zone shall be located in a qualifying municipality with a population greater than ²[31,000] 29,000² and less than 32,000 according to the latest federal decennial census ²[in a county of the second class with a population greater than 385,000 and less than 400,000 according to the latest federal decennial census]² ¹[.] ; and

²[(8)] (7)² One zone shall be located within a ²qualifying² municipality having a population greater than ²[8,000] 7,000² and less than 9,000 according to the latest federal decennial census in a county of the first class with a population greater than 550,000 and less than 560,000 according to the latest federal decennial census.¹

³[²b. Within three years after the effective date of P.L. . . , c. (C.) (pending before the Legislature as this bill), the authority shall designate four additional zones in qualifying municipalities. The authority shall designate the additional zones within 90 days of the date of the submission of an application and zone development plan by the municipality. Notwithstanding the provisions of P.L.1983, c.303 (C.52:27H-60 et seq.) to the contrary, the additional enterprise zones to be designated by the

authority pursuant to this subsection shall be entitled to an exemption to the extent of 50% of the tax imposed under the "Sales and Use Tax Act," P.L. 1966, c. 30 (C. 54:32B-1 et seq.).²³

²4. Section 30 of P.L. 1983, c. 303 (C. 52:27H-89) is hereby repealed.²

¹[3.] ²[4.1] ⁵.² This act shall take effect on the first day of the third month following enactment, but the State Treasurer and the Commissioner of Commerce and Economic Development may take such anticipatory actions as may be necessary for the timely implementation of this act upon the effective date thereof.

Authorizes seven additional urban enterprise zones.

SPONSOR S STATEMENT

STATEMENT

This bill permits the New Jersey Urban Enterprise Zone Authority to designate seven additional enterprise zones, and also would provide that the additional zones would be designated in accordance with criteria for priority consideration as follows: one zone shall be located in a qualifying municipality with a population between 55,000 and 65,000 in a first class county with a population between 770,000 and 780,000 provided that the qualifying municipality is contiguous to a municipality in which an enterprise zone is designated; one zone shall be located in a qualifying municipality with a population between 70,000 and 80,000 in a first class county with a population between 770,000 and 780,000 provided that the qualifying municipality is contiguous to a municipality in which an enterprise zone is designated; one zone shall be located in a qualifying municipality with a population between 30,000 and 40,000 in a fifth class county with a population between 220,000 and 230,000 provided that the qualifying municipality is contiguous to a municipality in which an enterprise zone is designated; one zone shall be located in a qualifying municipality with a population between 37,000 and 39,000 in a first class county with a population between 550,000 and 560,000 provided that the qualifying municipality is contiguous to a municipality in which an enterprise zone is designated; one zone shall be located in a qualifying municipality with a population between 45,000 and 55,000 in a first class county with a population between 550,000 and 560,000 provided that the qualifying municipality is contiguous to a municipality in which an enterprise zone is designated; one zone shall be located in a qualifying municipality with a population between 21,000 and 22,000 with a population density between 7,700 and 7,900 persons per square mile in a second class county with a population between 490,000 and 500,000 provided that the qualifying municipality is contiguous to a municipality in which an enterprise zone is designated; and one zone shall be located in a qualifying municipality with a population between 31,000 and 32,000 in a second class county with a population between 385,000 and 400,000. The population figures would be based on the latest federal decennial census figures.

The bill further provides that notwithstanding the provisions of P.L.1983, c.303 (C.52:27H-60 et seq.) to the contrary, the seven additional enterprise zones to be designated by the authority pursuant to the criteria for priority consideration set forth in this bill shall be entitled to an exemption to the extent of 50% of the tax imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.).

ASSEMBLY ECONOMIC DEVELOPMENT, AGRICULTURE, AND
MILITARY AND VETERANS' AFFAIRS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2606

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STATE OF NEW JERSEY

DATED: MAY 8, 1995

The Assembly Economic Development, Agriculture, and Military and Veterans' Affairs Committee reports favorably Assembly Bill No. 2606.

As reported, this bill permits the New Jersey Urban Enterprise Zone Authority to designate seven additional enterprise zones, and also would provide that the additional zones would be designated in accordance with criteria for priority consideration as follows: one zone shall be located in a qualifying municipality with a population between 55,000 and 65,000 in a first class county with a population between 770,000 and 780,000 provided that the qualifying municipality is contiguous to a municipality in which an enterprise zone is designated; one zone shall be located in a qualifying municipality with a population between 70,000 and 80,000 in a first class county with a population between 770,000 and 780,000 provided that the qualifying municipality is contiguous to a municipality in which an enterprise zone is designated; one zone shall be located in a qualifying municipality with a population between 30,000 and 40,000 in a fifth class county with a population between 220,000 and 230,000 provided that the qualifying municipality is contiguous to a municipality in which an enterprise zone is designated; one zone shall be located in a qualifying municipality with a population between 37,000 and 39,000 in a first class county with a population between 550,000 and 560,000 provided that the qualifying municipality is contiguous to a municipality in which an enterprise zone is designated; one zone shall be located in a qualifying municipality with a population between 45,000 and 55,000 in a first class county with a population between 550,000 and 560,000 provided that the qualifying municipality is contiguous to a municipality in which an enterprise zone is designated; one zone shall be located in a qualifying municipality with a population between 21,000 and 22,000 with a population density between 7,700 and 7,900 persons per square mile in a second class county with a population between 490,000 and 500,000 provided that the qualifying municipality is contiguous to a municipality in which an enterprise zone is designated; and one zone shall be located in a qualifying municipality with a population between 31,000 and 32,000 in a second class county with a population between 385,000 and 400,000. The population figures would be based on the latest federal decennial census figures.

The bill further provides that notwithstanding the provisions of P.L.1983, c.303 (C.52:27H-60 et seq.) to the contrary, the seven additional enterprise zones to be designated by the authority pursuant to the criteria for priority consideration set forth in this bill shall be entitled to an exemption to the extent of 50% of the tax imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.).

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2606

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: JUNE 1, 1995

The Assembly Appropriations Committee reports favorably Assembly Bill No. 2606 with committee amendments.

Assembly Bill No. 2606, as amended, permits the New Jersey Urban Enterprise Zone Authority to designate eight additional urban enterprise zones (UEZ), and also would provide that the additional UEZ's would be designated in accordance with criteria for priority consideration, increasing the number of UEZ's from 20 to 28. The designated municipalities would be: Irvington, Atlantic City, East Orange, West New York, North Bergen, Hillside, Pemberton Township and Guttenburg.

The bill further provides that notwithstanding the provisions of P.L.1983, c.303 (C.52:27H-60 et seq.) to the contrary, the seven additional enterprise zones to be designated by the authority pursuant to the criteria for priority consideration set forth in this bill shall be entitled to an exemption to the extent of 50% of the tax imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.). The bill also disallows the owners or operators of casino hotels from receiving the urban enterprise zone tax benefits.

FISCAL IMPACT:

According to the Division of Taxation, the reduction in sales tax would result in an average annual loss of \$5 million to \$6 million per zone in the first five years for a total estimated loss of \$40 million to \$48 million annually. There would also be losses through tax credits available to UEZ businesses.

COMMITTEE AMENDMENTS:

The amendments add Guttenburg to the municipalities in which enterprise zones would be designated and disallow the owners or operators of casino hotels from receiving the urban enterprise zone tax benefits.

SENATE URBAN POLICY AND PLANNING COMMITTEE

STATEMENT TO

[FIRST REPRINT]

ASSEMBLY, No. 2606

with committee amendments

STATE OF NEW JERSEY

DATED: OCTOBER 19, 1995

The Senate Urban Policy and Planning Committee reports favorably Assembly Bill No. 2606 (1R) with committee amendments.

Assembly Bill No. 2606 (1R), as amended by the committee, permits the New Jersey Urban Enterprise Zone Authority to designate eleven additional urban enterprise zones (UEZ's). Seven of those zones would be designated in accordance with criteria set forth in the bill and four would be designated from among the pool of "qualifying municipalities" defined pursuant to law through competition, increasing the number of UEZ's from 20 to 31. The designated municipalities would be: Irvington, East Orange, West New York, North Bergen, Hillside, Pemberton Township and Guttenberg.

The bill further provides that notwithstanding the provisions of P.L.1983, c.303 (C.52:27H-60 et seq.) to the contrary, the eleven additional enterprise zones to be designated by the authority shall be entitled to an exemption to the extent of 50% of the tax imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.).

The seven zones which would qualify according to the criteria set forth in the bill shall be designated within 90 days of the date of the submittal of an application and zone development plan. The remaining four zones shall be designated by the authority within three years after the effective date of the bill. The authority shall, within that time period, designate the additional zones within 90 days of the date of the submission of an application and zone development plan by the municipality.

Finally, the bill repeals that section of the original law establishing the enterprise zone program which limited the period of zone designation. Since the UEZA's discretion to designate zones is being extended, the limitation on the period of zone designation would be contrary to the Legislature's intent to extend the program.

The committee amended the bill to remove the authority of the UEZA to designate an additional zone in Atlantic City and delete the exception for casino hotels or ancillary facilities from the definition of "qualified business" contained in the UEZ law.

The amendments also change the definition of "qualifying municipality" in the same law, adding those municipalities which would not otherwise be qualifying municipalities according to the criteria set forth in the definition. The municipalities that would be added to the definition of "qualifying municipality" according to current statistics are Lakewood (already designated under P.L.1993, c 367) and Guttenberg.

The amendments also provide for the creation of four additional zones to be designated at the discretion of the UEZ authority, subject to the time frames referred to above.

The amendments make various technical changes in the delineation of qualifying municipalities for zone designation so that the same zones are eligible for priority consideration whether 1980 or 1990 federal census figures are used in the determination.

Assembly Bill No. 2606 (1R) Sca is identical to Senate Bill No. 1842 Sca, which was also reported by this committee on October 19, 1995.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[SECOND REPRINT]

ASSEMBLY, No. 2606

with Senate committee amendments

STATE OF NEW JERSEY

DATED: NOVEMBER 27, 1995

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 2606 (2R) with amendments.

Assembly Bill No. 2606 (2R), as amended, permits the New Jersey Urban Enterprise Zone Authority to designate seven additional urban enterprise zones (UEZ's), increasing the number of UEZ's from 20 to 27. The new zones would be designated in accordance with criteria set forth in the bill. The designated zones are Irvington, East Orange, West New York, North Bergen, Hillside, Pemberton Township and Guttenberg.

The zones, which would qualify according to the criteria set forth in the bill, will be designated within 90 days after submittal of an application and zone development plan to the authority.

The additional enterprise zones to be designated by the authority under this bill will be entitled to a 50 percent exemption of the tax imposed by the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.).

The bill changes the definition of "qualifying municipality" in the law, adding those municipalities which would not otherwise be qualifying municipalities according to the criteria set forth in the definition. The municipalities that would be added to the definition of "qualifying municipality" according to current statistics are Lakewood (already designated under P.L.1993, c.367) and Guttenberg.

Finally, the bill repeals that section of the original law establishing the enterprise zone program which limited the period of zone designation. Since the UEZA's discretion to designate zones is being extended, the limitation on the period of zone designation would be contrary to the Legislature's intent to extend the program.

As amended and reported, this bill is identical to Senate, No. 1842 (1R) of 1995 (Singer/Sacco) as amended and reported by this committee on November 27, 1995.

COMMITTEE AMENDMENTS

The committee amended the bill to reduce the number of new enterprise zones from 11 to seven. The committee removed the zones that would have been designated through competition from among the pool of "qualifying municipalities" defined pursuant to law.

FISCAL IMPACT

In a fiscal note prepared by the Office of Legislative Services (OLS) on June 21, 1995 on a previous version of the bill, the OLS noted that the tax-related provisions in the bill should be considered reductions in State revenues because, without zone participation, businesses would collect additional taxes for the State and not be eligible for credits against taxes due the State.

According to the Division of Taxation, the estimated loss in revenue to the State is difficult to determine. Nevertheless, the division estimates that the reduction in the retail sales tax, from six to three percent, would result in an average annual loss to the State of between \$5 million and \$6 million per zone during the first five year period following designation as a zone. Hence, given that the bill authorizes the designation of seven additional zones, this provision would result in forgone sales tax revenue of approximately \$35 million to \$42 million annually during the first five year period.

The division indicates that the additional loss in revenue to the State from other awards and tax credits available to qualified enterprise zone businesses cannot be determined due to insufficient information regarding businesses in the proposed zones.

The OLS concurs with the estimates provided by both the Division of Taxation and the Department of Commerce and Economic Development. However, the OLS notes that this loss to the General Fund would be in addition to the loss in revenue created by the other awards and tax incentives provided to eligible enterprise zone businesses under the current law.

The Department of Commerce and Economic Development estimates that the additional enterprise zones would cost \$91,716, \$82,368, and \$87,771, respectively, in administrative expenses the first three years following enactment of the bill. The department's estimate includes the cost of salaries and benefits for one economic development representative and one senior data entry machine operator, as well the cost of data processing and other equipment. According to the department, these additional expenditures would be required due to the increased volume of applications it receives following the designation of a new zone. The OLS notes that these administrative expenses would be borne by the New Jersey Urban Enterprise Zone Authority and not by the General Fund.

FISCAL NOTE TO
[FIRST REPRINT]
ASSEMBLY, No. 2606

STATE OF NEW JERSEY

DATED: June 26, 1995

Assembly Bill No. 2606 (1R) of 1995 permits the New Jersey Urban Enterprise Zone Authority to designate eight additional enterprise zones in accordance with certain criteria for priority consideration, thus increasing the number of enterprise zones in the State from 20 to 28. The bill further provides that, notwithstanding the provisions of P.L.1983, c.303 (C.52:27H-60 et seq.) to the contrary, the eight additional enterprise zones shall be entitled to an exemption to the extent of 50% of the tax imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.).

The Office of Legislative Services (OLS) notes that according to the criteria for priority consideration set forth in the bill, the following municipalities would be eligible for designation as enterprise zones: Irvington, Atlantic City, East Orange, West New York, North Bergen, Hillside, Pemberton Township and Guttenberg.

The OLS further notes that under current law, qualified businesses in the eight additional zones designated to be created by the bill would be permitted to collect sales tax at a reduced rate of three percent instead of the current rate of six percent. The law also provides that in the first five years after designation as an urban enterprise zone, the amount collected in sales tax revenues is distributed to the municipality in which the zone is located; in the next five years, the municipality receives 2/3 of the collections and the State 1/3; in the years 11 through 15, the municipality receives 1/3 and the State 2/3; and finally, in years 16 through 20, the State receives the entire three percent. Thus, over the 20 year period, the State forgoes the entire six percent sales tax that would have been collected during years 1 through 5; five percent of the sales tax in years 5 through 10; four percent in years 10 through fifteen; and three percent in years 15 through 20. The OLS additionally notes that these tax-related provisions are considered reductions in State revenues because, without zone participation, businesses would collect additional taxes for the State and not be eligible for credits against taxes due the State.

According to the Division of Taxation, the estimated loss in revenue to the State is difficult to determine. Nevertheless, the division estimates that the reduction in the retail sales tax, from six to three percent, would result in an average annual loss to the State of between \$5 million and \$6 million per zone during the first five year period following designation as a zone. Hence, given that the bill authorizes the designation of eight additional zones, the division estimates that this provision alone would result in forgone sales tax revenue of approximately \$40 million to \$48 million annually during the first five year period. The division further indicates that the additional loss in revenue to the State from other awards and tax credits available to qualified enterprise zone businesses cannot be determined due to insufficient information regarding businesses in the proposed zones.

With respect to the administrative expenditures which would be incurred as a result of this legislation, the Department of Commerce and Economic Development estimates that eight additional enterprise zones would cost \$91,716, \$82,368, and \$87,771, respectively, in the first three years following enactment of the bill. The department's estimate includes the cost of salaries and benefits for one economic development representative and one senior data entry machine operator, as well the cost of data processing and other equipment. According to the department, these additional expenditures would be required due to the increased volume of applications it receives following the designation of a new zone.

The OLS concurs with the estimates provided by both the Division of Taxation and the Department of Commerce and Economic Development. The OLS has been able to confirm independently, based on relatively limited data, that the estimates provided by the division are reasonable and neither underestimate nor overestimate the loss of revenue to the State from the 50 percent sales tax reduction. However, the OLS notes that this loss to the General Fund would be in addition to the loss in revenue created by the other awards and tax incentives provided to eligible enterprise zone businesses under the current law.

Finally, with respect to the administrative expenditures associated with the bill, the OLS notes that these would be borne by the New Jersey Urban Enterprise Zone Authority and not by the General Fund.

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