

54:32B-8.13

LEGISLATIVE HISTORY CHECKLIST
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(Sales & use tax--radio & TV equipment)

NJSA: 54:32B-8.13

LAWS OF: 1995 CHAPTER: 317

BILL NO: S1048

SPONSOR(S): Inverso

DATE INTRODUCED: May 16, 1994

COMMITTEE: ASSEMBLY Appropriations

SENATE: Budget

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

DATE OF PASSAGE: ASSEMBLY: November 30, 1995

SENATE: March 2, 1995

DATE OF APPROVAL: January 5, 1996

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes Also attached: Statement,
2-9-95 with floor amendments

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

[FIRST REPRINT]
SENATE, No. 1048

STATE OF NEW JERSEY

INTRODUCED MAY 16, 1994

By Senator INVERSO

1 AN ACT exempting certain radio and television broadcast
2 production equipment from the sales and use tax, amending
3 P.L.1980, c.105.

4

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

7 1. Section 25 of P.L.1980, c.105 (C.54:32B-8.13) is amended to
8 read as follows:

9 25. Receipts from the following are exempt from the tax
10 imposed under the Sales and Use Tax Act:

11 a. Sales of machinery, apparatus or equipment for use or
12 consumption directly and primarily in the production of tangible
13 personal property by manufacturing, processing, assembling or
14 refining;

15 b. Sales of machinery, apparatus or equipment for use or
16 consumption directly and primarily in the production, generation,
17 transmission or distribution of gas, electricity, refrigeration,
18 steam or water for sale or in the operation of sewerage systems;

19 c. Sales of telephones, telephone lines, cables, central office
20 equipment or station apparatus, or other machinery, equipment or
21 apparatus, or comparable telegraph equipment to a service
22 provider subject to the jurisdiction of the Board of Public
23 Utilities or the Federal Communications Commission, for use
24 directly and primarily in receiving at destination or initiating,
25 transmitting and switching telephone, telegraph or interactive
26 telecommunications service for sale to the general public;

27 d. Sales of machinery, apparatus, equipment, building
28 materials, or structures or portions thereof, used directly and
29 primarily for cogeneration in a cogeneration facility. As used in
30 this subsection, "cogeneration facility" means a facility the
31 primary purpose of which is the sequential production of
32 electricity and steam or other forms of useful energy which are
33 used for industrial or commercial heating or cooling purposes and
34 which is designated by the Federal Energy Regulatory
35 Commission, or its successor, as a "qualifying facility" pursuant
36 to the provisions of the "Public Utility Regulatory Policies Act of
37 1978," Pub. L. 95-617. The Director of the [Division] Office of
38 Energy [Planning and Conservation] in the Department of
39 [Commerce,] Environmental Protection and Energy [and
40 Economic Development], in consultation with the Director of the
41 Division of Taxation, shall adopt, pursuant to the "Administrative
42 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), rules and
43 regulations establishing technical specifications for eligibility for

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 Senate floor amendments adopted February 9, 1995.

1 regulations establishing technical specifications for eligibility for
2 the exemption provided in this subsection;

3 e. Sales of machinery, apparatus or equipment to a
4 commercial broadcaster for use or consumption directly and
5 primarily in the production of radio or television broadcasts in
6 the production studios or transmitting facilities of the
7 broadcaster.

8 The exemptions granted under this section shall not be
9 construed to apply to sales, otherwise taxable, of machinery,
10 equipment or apparatus whose use is incidental to the activities
11 described in subsections a., b., c., [and] d. and e. of this section.

12 The exemptions granted in this section shall not apply to motor
13 vehicles or to parts with a useful life of one year or less or tools
14 or supplies used in connection with the machinery, equipment or
15 apparatus described in this section.

16 (cf: P.L.1989, c.2, s.1)

17 2. This act shall take effect immediately, provided however
18 that section 1 shall remain inoperative until the first day of the
19 third month following enactment.

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23 STATEMENT

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25 This bill provides an exemption under the sales and use tax for
26 sales of machinery, apparatus or equipment to a commercial
27 broadcaster for use or consumption directly and primarily in the
28 production of radio and television broadcasts in the production
29 studios or transmitting facilities of the broadcaster. The
30 exemption does not apply to sales of machinery, equipment or
31 apparatus whose use is incidental to the production of broadcasts,
32 to motor vehicles or to parts with a useful life of one year or
33 less, or tools or supplies used in connection with the machinery,
34 equipment or apparatus used in the production of broadcasts.

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38 Exempts certain radio and television broadcast production
39 equipment from the sales and use tax.

STATEMENT TO

SENATE, No. 1048

with Senate Floor Amendments
(Proposed by Senator INVERSO)

DATED FEBRUARY 9, 1995

STATEMENT

Senate Bill No. 1048 provides a sales and use tax exemption for equipment used primarily and directly in commercial broadcast radio and television production and transmission. These amendments clarify that the exemption applies only to commercial broadcasters licensed by the Federal Communications Commission, that the exemption applies to equipment used the production or the transmission of radio or television broadcasts, that the equipment exempted is not limited to that used in the facilities of the broadcaster but also applies to that used in the field, and that the exemption does not apply to equipment used in the construction or operation of towers.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[FIRST REPRINT]

SENATE, No. 1048

STATE OF NEW JERSEY

DATED: JUNE 22, 1995

The Assembly Appropriations Committee reports favorably Senate Bill No. 1048 (1R).

Senate Bill No. 1048 (1R) provides an exemption under the sales and use tax for sales of machinery, apparatus or equipment to a commercial broadcaster for use or consumption directly and primarily in the production or transmission of radio and television broadcasts. The exemption does not apply to sales of machinery, equipment or apparatus whose use is incidental to the production of broadcasts, to motor vehicles or to parts with a useful life of one year or less, to tools or supplies used in connection with the machinery, equipment or apparatus used in the production of broadcasts, or to equipment used in the construction or operation of towers.

The exemption provided by this bill applies only to commercial broadcasters licensed by the Federal Communications Commission, and applies only to conventional broadcast media and not to narrowcast, scrambled or encrypted signals, or to cable transmission.

FISCAL IMPACT:

According to fiscal information supplied by the Department of the Treasury, this bill will result in a loss of between \$500,000 and \$750,000 in sales tax revenues annually.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 1048

STATE OF NEW JERSEY

DATED: SEPTEMBER 12, 1994

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1048.

Senate Bill No. 1048 provides an exemption under the sales and use tax for sales of machinery, apparatus or equipment to a commercial broadcaster for use or consumption directly and primarily in the production of radio and television broadcasts in the production studios or transmitting facilities of the broadcaster. The exemption does not apply to sales of machinery, equipment or apparatus whose use is incidental to the production of broadcasts, to motor vehicles or to parts with a useful life of one year or less, or tools or supplies used in connection with the machinery, equipment or apparatus used in the production of broadcasts.

The exemption in this bill will include such equipment as mixing consoles, editing facilities, video cameras, video lighting, switchers, recording equipment, equipment used in the broadcasting of telephone conversations, signal processors, data retention devices and computers directly employed in the production of broadcasts, microphones, signal monitoring and test gear for FCC compliance, remote broadcasting equipment, Emergency Broadcast Equipment (EBS), satellite equipment, custom built furniture unique to broadcasting, automation equipment, transmitters, antennas, antenna matching and branching equipment, towers, transmission lines, grounding systems, equipment necessary for future digital broadcasting, auxiliary power generators and any other equipment unique to and/or required in commercial radio and television broadcasting.

FISCAL IMPACT

According to the sponsor, the loss in sales tax revenues to the State will range between \$90,000 to \$300,000. According to information provided by the New Jersey Broadcaster's Association, this bill will result in a loss of approximately \$90,000 in sales tax revenues for the state in the year following enactment, based on an estimate of \$1.5 million in purchases annually of equipment by broadcasters in New Jersey.

FISCAL NOTE TO
SENATE, No. 1048

STATE OF NEW JERSEY

DATED: December 6, 1994

Senate Bill No. 1048 of 1994 would exempt from the State's sales and use tax the purchase of certain radio and television broadcast production equipment by commercial broadcasters in the State. The exemption would take effect on the first day of the third month following enactment.

The New Jersey Division of Taxation has estimated that the potential fiscal effect of this bill is a loss in sales tax of approximately \$10 million for FY95 and approximately \$11 million for FY96. In a fiscal estimate prepared before the Division of Taxation issued its estimate, the Office of Legislative Services (OLS) estimated that the potential loss in sales tax would approximate \$300,000 to \$480,000.

OLS does not concur with the Division of Taxation's estimate. Although the source of tax base data is the same (from the U.S. Department of Commerce), the Division of Taxation uses the entire classification of "radio and television communications equipment". However, almost 88 percent of the purchases in that category are specifically listed as being other than broadcast equipment. Most or all of this equipment is excluded from the bill's exemption.

The OLS estimate is substantiated by the results of a survey conducted in 1993 by Broadcast Engineers, an industry trade publication which asked for information from commercial broadcasters as to how much they intended to expend during 1994 on the type of equipment covered by the bill. The results are closer to the OLS estimate than to the Division of Taxation's estimate.

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

LEGISLATIVE FISCAL ESTIMATE TO

SENATE, No. 1048

STATE OF NEW JERSEY

DATED: October 3, 1994

Senate Bill No. 1048 of 1994 would exempt from the State's sales and use tax the purchase of certain radio and television broadcast production equipment by commercial broadcasters in the State. The exemption would take effect on the first day of the third month following enactment.

The Division of Taxation has not provided an estimate of the revenue that would be lost if this exemption is enacted. The New Jersey Broadcasters Association estimates that the loss in tax revenue would be about \$90,000 based on estimated purchases of the type of equipment in question of approximately \$1.5 million annually. However, the Association has not provided any information to support their estimate.

The Office of Legislative Services (OLS) estimates that the loss in tax revenue would approximate \$300,000 to \$480,000. This estimate is based on data obtained from a number of sources.

According to the Federal Communications Commission (FCC), there are approximately 10,000 commercial radio broadcasters (85 percent of the total radio broadcasters) and approximately 1,200 commercial TV broadcasters (74 percent of the total TV broadcasters) in the U.S.. In New Jersey, there are 57 commercial radio stations (0.57 percent of the national total) and 7 commercial TV stations (0.58 percent of the national total).

Data from the U.S. Bureau of the Census's Survey of Manufacturers indicate the broadcasting industry (commercial and non-commercial) annually spends between \$1 billion and \$1.5 billion on the type of equipment in question, 38 percent by radio broadcasters (\$380 to \$570 million) and 62 percent by TV broadcasters (\$620 to \$930 million). It is assumed that 90 percent of this amount is spent by commercial broadcasters. This means that commercial radio spends between \$342 and \$513 million and commercial TV spends between \$558 and \$837 million. Given the above ratios of New Jersey commercial broadcasters to the national numbers, it is estimated that New Jersey radio broadcasters annually spend between \$2 to \$3 million, while New Jersey TV broadcasters annually spend between \$3 and \$5 million, for a total range of \$5 to \$8 million. At this expenditure level, the loss in sales and use tax revenue would be between \$300,000 and \$480,000 annually.

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.