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Sponsored by:

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SYNOPSIS

Consumer Relief Act of 2009; establishes temporary sales and use tax rate reduction periods for sales of certain goods and services.

CURRENT VERSION OF TEXT

As introduced.

AN ACT establishing periods of reduced sales and use tax imposition and designated as the Consumer Relief Act of 2009, supplementing P.L.1966, c.30 (C.54:32B-1 et seq.).

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

1. a. Notwithstanding the provisions of sections 3, 4, and 6 of P.L.1966, c.30 (C.54:32B-3, 54:32B-4, and 54:32B-6) to the contrary, the sales tax and the use tax which shall be paid pursuant to the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.) shall be imposed at the rate of 3.5% on sales made during a tax reduction period, admissions charges paid during a tax reduction period, rents for occupancies during a tax reduction period, and uses beginning during a tax reduction period; provided, however, that if the State Treasurer, in consultation with the Director of the Division of Budget and Accounting in the Department of the Treasury, shall certify to the director that federal funds are receivable, or have been received, and may be allocated to offset the amount of additional State revenue loss which may result from the imposition of a sales and use tax rate of less than 3.5% during a tax reduction period, the director shall reduce the rate of tax imposed pursuant to P.L.1966, c.30 during that tax reduction period to a rate of less than 3.5% but consistent with and in proportion to the federal funds that are receivable, or have been received, and may be allocated to offset State revenue loss during that tax reduction period.

b. (1) If the director shall, in accordance with subsection a. of this section, reduce the rate of tax imposed pursuant to P.L.1966, c.30 to a rate of less than 3.5% during a tax reduction period, the director shall immediately notify the State Treasurer of the rate and the terms and conditions for which tax shall be imposed during that tax reduction period and shall immediately submit a report to the Legislature, pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1), outlining the rate and the terms and conditions for which tax shall be imposed during that tax reduction period.

(2) The report, submitted to the Legislature in accordance with paragraph (1) of subsection b. of this section, shall also provide information concerning the amount and the availability of federal funds which may be allocated to offset additional State revenue loss resulting from the imposition of a sales and use tax rate of less than 3.5%, and shall include data regarding the projected State revenue loss which may result from the imposition of a sales and use tax rate of less than 3.5% during that tax reduction period.

c. Notwithstanding any provision of P.L.1968, c.410 (C.52:14B-1 et seq.) to the contrary, the director may adopt immediately upon filing with the Office of Administrative Law such regulations as the director deems necessary to implement the provisions of this section, which regulations shall be effective for a period not to exceed 180 days following the date of enactment of P.L. , c. (C.) (pending before the Legislature as this bill) and may thereafter be amended, adopted, or readopted by the director in accordance with P.L.1968, c.410.

d. As used in this section,

"Federal funds" includes, but shall not be limited to, monies appropriated by the United States Congress to the State of New Jersey as part of a short-term economic stimulus program dedicated to increasing consumer spending;

"State Treasurer" means the Treasurer of the State of New Jersey; and

"Tax reduction period" means the periods: (1) on and after March 20, 2009 but before March 30, 2009; (2) on and after July 3, 2009 but before July 13, 2009; and (3) on and after October 9, 2009 but before October 19, 2009.

2. This act shall take effect immediately.

STATEMENT

This bill, designated as the Consumer Relief Act of 2009, establishes three 10-day periods of reduced sales and use tax imposition on retail sales of certain goods and services.

Under the provisions of the bill, sales made, admissions charges paid, rents for occupancies, and uses during specified periods are subject to the sales and use tax at a reduced rate of 3.5%. For most of the State, this equates to a tax rate reduction from 7% to 3.5%. In Urban Enterprise Zones (UEZs) and Salem County, however, it equates to a reduction from 3.5 % to 1.75% for sales of certain goods currently subject to a reduced rate.

The specified periods of reduction are those beginning: (1) on and after March 20, 2009 but before March 30, 2009; (2) on and after July 3, 2009 but before July 13, 2009; and (3) on and after October 9, 2009 but before October 19, 2009. These periods will be easily recognizable for consumers, and marketable by retailers, as they start respectively (1) on the first day of Spring; (2) on the day before Independence Day weekend; and (3) on the day before Columbus Day weekend. Each period includes two weekends.

The bill further provides for additional sales and use tax rate reductions during the three periods if federal funding is made available to the State that may be used to offset State revenue declines during the current economic downturn. Specifically, the bill provides that if the State Treasurer certifies that federal funds are receivable and may be allocated to offset the amount of additional State revenue loss resulting from a sales and use tax rate of less than half the current rate during a tax reduction period, the tax rate will be further reduced consistent with, and in proportion to, the federal funds that are to be made available.

A determination to reduce the rate to less than half the current rate would be made by the Director of the Division of Taxation. Under the bill, if the director reduces the tax rate to less than half the current rate during the three periods, the director must notify the State Treasurer and the Legislature of the reduced rate and the terms and conditions for which the tax will be imposed during those periods. The report to the Legislature must provide information concerning the amount and the availability of federal funds as well as data regarding projected State revenue loss resulting from a reduction of more than half the current rate.

These tax-reduction periods are intended to provide an emergency shot in the arm for New Jersey's economy – one that will increase the purchasing power of consumers, create stronger competition with surrounding states, save businesses, and protect jobs.

The current economic decline has created a drop in retail sales and has caused many to project that consumers will spend less in the weeks and months ahead. Reducing the sales tax will make shopping in New Jersey more affordable for consumers while increasing sales for businesses. Because of the regressive nature of the sales tax, this reduction will particularly help lower income families.

If New Jersey is the only state in the region to adopt this program, it will make New Jersey retailers more competitive with those of surrounding states and thereby retain consumer spending in New Jersey that would otherwise go to Pennsylvania or Delaware. In addition, it would draw out-of-State shoppers into Garden State stores and restaurants. The program will create a competitive advantage over Pennsylvania, which has a 6% statewide rate and a 7% rate in Philadelphia; nearly eliminate Salem County's disadvantage with Delaware, which has no sales tax, by reducing Salem County's rate to 1.75%; and greatly increase New Jersey's existing advantage over New York City, which has an 8 3/8% rate.

But if nearby states do decide to adopt a similar program, as a result of federal legislation or otherwise, New Jersey cannot afford not to match their efforts.

While much of the focus by policymakers has been on bailing out big Wall Street firms and other programs for spending taxpayer money, this bill provides relief to taxpayers in a way that will help struggling families and small businesses. Relief will be direct and immediate, and will involve no application process, no bureaucratic red-tape, no favoritism and no waste. Anyone who buys an item or pays for a service subject to the sales and use tax will benefit.

This approach is not intended as a long-term fix for the State's economy; separate proposals have been made in that regard. This bill is designed to provide tangible, short-term relief for New Jersey consumers and businesses.