

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 5392
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: MAY 12, 2023

SUMMARY

Synopsis: Establishes annual ten-day sales tax holiday for certain sales of disaster preparedness supplies and equipment.

Type of Impact: Annual State revenue loss.

Agencies Affected: Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2024 and Each FY Thereafter</u>
Annual State Revenue Loss	\$4.9 million to \$8.8 million

- The Office of Legislative Services (OLS) estimates that the sales tax holiday established under the bill would reduce State revenues by roughly \$4.9 million to \$8.8 million annually.
- The OLS infers that the tax holiday will have a proportional level of sales tax revenue loss as another State that has implemented similar legislation, taking into account differences in population size, length of the sales tax holiday, and the general sales and use tax rate.
- The OLS notes that the sales tax holiday may encourage consumers to shift some of their purchases into the sales tax holiday period that would have been taxable otherwise. The OLS expects this shift, and its impact on revenues, to fall within the OLS's stated range of revenue loss.

BILL DESCRIPTION

This bill establishes an annual sales tax holiday for certain retail sales of disaster preparedness supplies and equipment during the 10-day period from September 21 to September 30. During this 10-day period, certain retail sales of disaster preparedness supplies and equipment sold to an individual purchaser for non-business use are exempt from the sales and use tax.

FISCAL ANALYSIS***EXECUTIVE BRANCH***

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS expects the sales tax holiday to reduce State revenues by roughly \$4.9 million to \$8.8 million annually. The OLS infers that the disaster preparedness tax holiday will have a proportional level of sales tax revenue loss as that experienced in another state that has implemented similar legislation, taking into account differences in population, length of the sales tax holiday, and the general sales tax rate.

Specifically, the OLS calculates its estimate based on revenue losses in Florida, which has had a similar sales tax holiday in recent years to the one in the bill. While Florida instituted a 10-day disaster preparedness sales tax holiday in 2021, the state implemented a 14-day sales tax holiday in both 2022 and 2023. Reported revenue losses in Florida are as follows: \$10.5 million in 2021; \$25.6 million in 2022; and \$27.1 million in 2023. The OLS arrives at its estimate of this bill's impact on State revenues by accounting for differences in New Jersey's and Florida's population size, length of the sales tax holiday, and the general sales tax rate. Doing so results in annual State revenue losses of between \$4.9 million and \$8.8 million, beginning in FY 2024.

The OLS notes that the sales tax holiday may encourage consumers to shift some of their purchases into the sales tax holiday period that would have been taxable otherwise. The OLS expects this shift, and its impact on revenues, to fall within the OLS's stated range of revenue loss.

Section: Revenue, Finance, & Appropriations
Analyst: Patrick Walsh
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Approved: Thomas Koenig
Legislative Budget and Finance Officer

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 (C.52:13B-6 et seq.).