

**LEGISLATIVE FISCAL ESTIMATE**  
**ASSEMBLY, No. 4239**  
**STATE OF NEW JERSEY**  
**220th LEGISLATURE**

DATED: JUNE 24, 2022

**SUMMARY**

**Synopsis:** Concerns imposition and collection of sales and use tax for fabrication and installation of signs.

**Type of Impact:** Annual State revenue increase.

**Agencies Affected:** Department of the Treasury.

**Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b><u>FY 2023 and Each FY Thereafter</u></b>
<b>Annual State Revenue Increase</b>	Indeterminate

- The Office of Legislative Services (OLS) expects this bill to increase State revenues; however, the impact will be limited to marginal changes in the tax collected in relation to a small number of transactions. Most signs and related services are already subject to the State’s sales and use tax. The bill modifies the treatment of seller and installer transactions as they relate to signs, shifting from use tax remittance to having those sellers and installers collecting sales tax from purchasers.
- The OLS believes that this shift will increase compliance, and thus, yield additional sales tax revenues that may have otherwise not been collected or remitted. Additionally, the point at which the seller or installer collects sales taxes may factor in a higher or lower sales price compared to current law, which in turn may increase or decrease revenue collections.

**BILL DESCRIPTION**

The bill modifies the tax treatment of signs and sign fabrication and installation services. Currently, if a sign is sold to a customer without installation, the customer pays sales tax on the purchase of the sign. However, if the sale and installation of the sign in New Jersey results in a capital improvement, sales tax is not collected from the customer. Instead, because the entity that installs the sign is considered the consumer in that case, the entity that installs the sign has to remit use tax to the State for the value of the materials used to fabricate the product being installed.

The bill subjects sign fabrication and installation services to the sales tax even in cases that result in capital improvements. As a result, sellers and installers of signs will not be considered a consumer in any case and will therefore always be required to collect sales tax from the purchaser of the sign installation, and will purchase signage materials and finished signs from wholesalers free from sales tax as purchases for resale.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

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*Section: Revenue, Finance and Appropriations*  
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*Revenue Analyst*  
*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.).