

LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

SENATE, No. 3837

STATE OF NEW JERSEY

220th LEGISLATURE

DATED: JANUARY 10, 2024

SUMMARY

**Synopsis:** Clarifies process for administrative appropriations to UEZs.

**Type of Impact:** Annual State Revenue Increase.

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

Office of Legislative Services Estimate

Fiscal Impact	<u>Urban Enterprise Zones</u>
Annual State Revenue from UEZs	100 percent Increase in full Sales Tax Collections for Recreational Cannabis and Related Supplies in 37 UEZs

- The Office of Legislative Services (OLS) concludes that the bill will result in an indeterminate increase in State revenues associated with a 100 percent increase in the sales tax collected in Urban Enterprise Zones (UEZs) for recreational cannabis and cannabis-related supplies. The bill requires tax revenues on the sale of recreational cannabis items to be credited to the Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization Fund and the Underage Deterrence and Prevention Account within the fund.

BILL DESCRIPTION

The bill clarifies the process for appropriating revenue under the State UEZ Program for use within UEZs. Specifically, the bill excludes the sales of medical and recreational cannabis, and related supplies from the 50 percent sales tax exemption within UEZs, as is currently the case for alcoholic beverages and some other retail sales.

## FISCAL ANALYSIS

### *EXECUTIVE BRANCH*

None received.

### *OFFICE OF LEGISLATIVE SERVICES*

The OLS concludes that the bill will result in an increase in State revenues associated with a 100 percent increase in the sales tax collected in UEZs for recreational cannabis and cannabis-related supplies. Current law provides that qualified businesses within a UEZ may charge sales tax at half of the regular rate on certain retail sales. The bill provides that neither medical nor recreational cannabis, nor cannabis supplies, qualify for the reduced sales tax rate. However, medical cannabis is not subject to sales tax under current law. The bill will therefore increase the amount of sales tax to be collected for recreational cannabis and cannabis supplies from 3.3125 percent to 6.625 percent within UEZs. The bill requires tax revenues on the sale of recreational cannabis items to be credited to the Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization Fund and the Underage Deterrence and Prevention Account within the fund. The OLS is unable to estimate the number of businesses that are located within UEZs which sell or will sell recreational cannabis or cannabis supplies or the prices of these products and, therefore, cannot predict the specific increase in sales tax to be collected pursuant to the bill.

The bill also clarifies that the gross amount of all revenues from the taxation of retail sales within a UEZ, which excludes sales of motor vehicles, alcoholic beverages, cigarettes, manufacturing machinery, energy, and cannabis, are required to be deposited in the Enterprise Zone Assistance Fund for the fund's purposes.

The monies deposited in the Underage Deterrence and Prevention Account are used to fund private for-profit and non-profit organizations, and county and municipal programs and services that offer social services, educational, recreational, and employment opportunities, and local economic development designed to encourage, improve, and support youthful community activities to divert and prevent persons under 18 years of age from activities associated with the consumption of cannabis items, or marijuana, or hashish. To the extent that the increased revenues derived from the bill are used to fund additional deterrence programs, State expenditures will increase by an indeterminate amount.

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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.).