

LEGISLATIVE FISCAL ESTIMATE
[Second Reprint]
SENATE, No. 1484
STATE OF NEW JERSEY
221st LEGISLATURE

DATED: MARCH 21, 2024

SUMMARY

Synopsis: Exempts receipts from sales of materials, supplies, and services for certain affordable housing projects from sales and use tax.

Type of Impact: Annual State revenue loss.

Agencies Affected: Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
State Revenue Loss	Indeterminate

- The Office of Legislative Services (OLS) concludes that this bill will result in an indeterminate annual loss of State revenue from the sales and use tax. The OLS does not have sufficient data to determine the current level of sales made to contractors and repairmen of materials, supplies, and services for exclusive use in constructing, improving, or repairing the real property of housing sponsors engaged in affordable housing projects where all of the units are restricted for occupants with moderate, low, or very low incomes.

BILL DESCRIPTION

This bill would exempt from the State’s sales and use tax receipts from the sales of materials, supplies, and services made to contractors or repairmen for certain affordable housing projects.

Under current law, sales of materials, supplies, or services made to contractors or repairmen for exclusive use in erecting structures or building on, or otherwise improving, altering, or repairing, the real property of: (1) certain governmental, international, and charitable organizations; (2) qualifying businesses located within an urban enterprise zone; and (3) housing sponsors who have obtained financing for housing projects pursuant to the New Jersey Housing and Mortgage Finance Agency Law of 1983, and have received other federal, State, or local subsidies in order to achieve financial feasibility, are exempt from the sales and use tax.

This bill would provide an additional sales and use tax exemption for receipts from sales made to contractors or repairmen of materials, supplies, or services for exclusive use in erecting

structures or building on, or otherwise improving, altering, or repairing real property of housing sponsors engaged in affordable housing projects where all of the units are restricted for occupants with moderate, low, or very low incomes.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that the bill will result in an indeterminate annual loss in State revenue from the sales and use tax.

The OLS does not have sufficient data to determine the current level of sales made to contractors and repairmen of materials, supplies, or services for exclusive use in constructing, improving, or repairing the real property of housing sponsors engaged in affordable housing projects where all of the units are restricted for occupants with moderate, low, or very low incomes. Moreover, the State Tax Expenditure Report that is published annually by the Department of the Treasury does not contain comparable cost estimates related to the existing sales and use tax exemption for the materials, supplies, and services used to construct certain other housing projects. The OLS, therefore, does not have sufficient information to project revenue losses as a result of the bill.

However, the OLS notes that for every \$50 million in retail sales for the materials, supplies, or services of a contractor or repairman engaged in the construction, improvement, or repair of a qualified affordable housing project, this bill would be expected to reduce State revenues by approximately \$3.3 million.

Section: *Revenue, Finance, & Appropriations*
Analyst: *Patrick Walsh*
 Assistant Fiscal 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.).