

# ASSEMBLY APPROPRIATIONS COMMITTEE

## STATEMENT TO

[First Reprint]

## ASSEMBLY, No. 4392

with committee amendments

# STATE OF NEW JERSEY

DATED: DECEMBER 10, 2018

The Assembly Appropriations Committee reports favorably Assembly Bill No. 4392 (1R), with committee amendments.

As amended, this bill eliminates a tax exemption that airlines receive on their use of aviation fuel and provides funding needed to complete the Port Authority Trans-Hudson Corporation (PATH) rail service extension to Newark Liberty International Airport and other airport capital projects that qualify as federally permitted uses of revenue from the taxation of aviation fuel used by airlines.

Currently, common carriers are exempt from taxation on interstate and foreign flights except for that portion of aviation fuel that is used in “burnout,” during taxiing and take-off. This bill taxes the entire receipts from the sale of aviation fuels used by all airlines at the rate of four cents per gallon, except for circumstances where the aviation fuels are used at an airport in the State with fewer than 20,000 scheduled commercial passenger flights per year. Aviation fuels consumed at an airport in the State with fewer than 20,000 scheduled commercial flights per year will continue to be taxed only on the “burnout” portion.

As amended and reported, this bill is identical to Senate Bill No. 2892 (3R), as also amended and reported by the committee.

### COMMITTEE AMENDMENTS:

The committee amendments remove language that reference fuel “consumed by a commercial airline” to make the language of the bill consistent with existing statutory law.

The amendments also insert language that applies the tax to the “burnout” portion of aviation fuel used at an airport in the State with fewer than 20,000 scheduled commercial flights per year, which comports with existing law on how aviation fuel is taxed at those airports.

### FISCAL IMPACT:

The Office of Legislative Services finds that the bill is likely to result in an increase in State revenue equal to approximately \$36 to \$40 million per year.

The bill requires an annual appropriation of an amount equal to all annual PPGRT revenues from aviation fuel sales in support of the PATH rail service extension and for the Airport Safety Fund or the Airport Improvement Program. This appropriation will take place through the annual transportation capital program appropriation of funds from the New Jersey Transportation Trust Fund Authority (TTFA). Existing legislation sets the average annual capital program appropriation at \$2 billion through FY 2024. Assuming the average appropriation does not change, this bill will cause State spending on transportation capital of up to \$40 million to be diverted from State highway and NJ Transit projects to Port Authority projects. The money that would have supported those project expenditures will in turn become available, but due to the constitutional dedication of TTFA revenues, that additional funding will remain tied to the capital program and likely result in either an increase in the TTFA capital reserve fund, or reduced TTFA borrowing, and less future debt service expenditures.