# LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

# SENATE, No. 3740

# STATE OF NEW JERSEY
# 219th LEGISLATURE

DATED: DECEMBER 9, 2021

## SUMMARY

**Synopsis:** Provides temporary exemption under sales and use tax for winterizing certain small business operations.

**Type of Impact:** Temporary loss of State revenue.

**Agencies Affected:** Department of the Treasury

**Office of Legislative Services Estimate**

| **Fiscal Impact** | **FY 2022** |
|---|---|
| **State Revenue Loss** | Indeterminate |

- The Office of Legislative Services (OLS) estimates that this bill would result in a temporary, indeterminate loss of State revenue from the sales and use tax. The OLS does not have sufficient data to determine how much small businesses spent during the exemption period on purchases necessary to winterize their operations or the associated tax liability on those purchases.
- It should be noted that this exemption is temporary, as small businesses can only claim it for purchases made between September 1, 2020 and March 31, 2021.

## BILL DESCRIPTION

This bill provides a temporary sales and use tax exemption for small businesses, which for this bill means businesses with fewer than 20 full-time employees, that made purchases between September 1, 2020 and March 31, 2021 to winterize their operations so to be able to conduct operations outdoors that they would normally conduct indoors but cannot due to the COVID-19 pandemic.

The purchases that can be exempt under this bill include, but are not limited to space heaters, tents, and products that melt snow and ice. The small business will be required to submit an application along with receipts and other documentation to the Division of Taxation in order to claim the exemption and then will receive a refund if the application is approved. If a small

business willfully and knowingly falsifies any information required by the director to claim the exemption, then that small business shall be subject to a penalty of $100 for a first offense and $200 for each subsequent offense.

## FISCAL ANALYSIS

***EXECUTIVE BRANCH***

None received.

***OFFICE OF LEGISLATIVE SERVICES***

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It should be noted that this exemption is temporary, as small businesses can only claim it for purchases made between September 1, 2020 and March 31, 2021. For context, for every $1,000 in taxable purchases, a taxpayer would save $66.25 under this sales tax exemption and the State would lose the same amount in revenue. It is possible that the State may realize marginal revenue from fines paid by businesses who willfully and knowingly falsify information provided to the Division of Taxation.

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| *Section:* | *Revenue, Finance, and Appropriations* |
| *Analyst:* | *Jordan M. DiGiovanni*<br>*Revenue Analyst* |
| *Approved:* | *Thomas Koenig*<br>*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.).