
SALES AND USE TAX REVIEW COMMISSION
RECOMMENDATION PURSUANT TO P.L. 1999, C. 416

Bill Number: S-2551

Date of Introduction: 09/26/16

Sponsor(s): Senators Allen and Oroho

Date of Consideration: 11/30/16

Co-Sponsor(s):

Identical Bill: A-2730

Committee: Senate Health, Human Services and Senior Citizens Committee

Description

This bill would eliminate the imposition of sales and use tax on charges for initiation fees, membership fees, or dues for access to or use of certain health and fitness clubs and organizations.

Analysis

In 2006, the State Legislature amended the Sales and Use Tax Act to impose tax on a number of services and products not previously subjected to the tax. Included in the expansion were the fees and dues which are the subject of this bill.

This bill calls for the deletion of the words “health and fitness” from the imposition section while retaining the tax on “athletic” clubs. This change would present enforcement difficulties because the terms “health and fitness” and “athletic” are used interchangeably by many private gyms. The Division of Taxation would not be able to meaningfully distinguish between a “health and fitness club” and an “athletic club” resulting in taxpayer confusion and classification errors resulting in improper administration of the sales and use tax.

If enacted, this bill would reduce a reliable stream of revenue to the State’s General Fund. The fiscal impact of this bill exempting the aforementioned organizations would result in an estimated \$18.5 million to \$20 million in annual losses to the State’s General Fund.

Public Comment

The Commission received a public comment on the bill in the form of a letter from Joe Moore, CEO of the International Health, Racquet & Sportsclub Association (IHRSA). Mr. Moore expressed his support for Senate Bill 2551. In his correspondence, he cited the following as reasons for his support of the bill: “New Jersey’s sales tax policy sends the message that regular exercise is not important to a population suffering from poor health related to physical inactivity. A repeal of the sales tax on fitness memberships would encourage New Jersey

residents to live healthier lives, with reduced medical costs burdening the individual, state and businesses. New Jersey's health clubs are poised to help solve the inactivity epidemic and make significant contributions to the state economy."

Recommendation

The Commission opposes enactment of this bill.

Commission Members For Proposal: 0

Commission Members Against Proposal: 5

Commission Members Abstaining: 0

SALES AND USE TAX REVIEW COMMISSION
RECOMMENDATION PURSUANT TO P.L. 1999, C. 416

Bill Number: A-4048

Date of Introduction: 09/08/16

Date of Consideration: 11/30/16

Sponsor(s): Assembly Members Quijano and Vainieri Huttle

Co-Sponsor(s):

Identical Bill: S-2574

Committee: Assembly Tourism, Gaming and the Arts Committee

Description

This bill imposes sales and use tax, a transient accommodation fee, and authorizes a local transient accommodation tax on charges for providing space for accommodation of transient guests in certain residences in this State.

Analysis

Under current law, the State imposes sales and use tax and a hotel/motel occupancy fee on the rent for every occupancy of a room in a hotel or motel. Currently, there are no taxes and fees imposed on short-term rentals for occupancies that occur in other types of real property, such as apartments or single-family houses.

This bill calls for the State to impose sales and use tax, a transient accommodation fee, and authorizes municipalities to impose a transient accommodation tax on the leasing of space for the accommodation of transient guests in a residence or other residential unit through a transient space marketplace in this State. Under this bill, the lease or rental of a space for the accommodation of a transient guest through a marketplace is subject to the same taxes and fees as the lease or rental of a room in a hotel in this State. As written, if a transient accommodation is not booked through an internet marketplace, the lease would not be subject to the taxes and fees.

The Commission suggests changing the current definition of "hotel" to include these transient accommodations. All transient accommodations whether reserved through an internet marketplace venue or not, would then be subject to the same tax treatment.

Recommendation

The Commission opposes the enactment of this bill.

Commission Members For Proposal: 0

Commission Members Against Proposal: 5

Commission Members Abstaining: 0

SALES AND USE TAX REVIEW COMMISSION
RECOMMENDATION PURSUANT TO P.L. 1999, C. 416

Bill Number: S-2574

Date of Introduction: 09/26/16

Sponsor(s): Senator Diegnan

Date of Consideration: 11/30/16

Co-Sponsor(s):

Identical Bill: A-4048

Committee: Senate Budget and Appropriations Committee

Description

This bill imposes sales and use tax, a transient accommodation fee, and authorizes a local transient accommodation tax on charges for providing space for accommodation of transient guests in certain residences in this State.

Analysis

Under current law, the State imposes sales and use tax and a hotel/motel occupancy fee on the rent for every occupancy of a room in a hotel or motel. Currently, there are no taxes and fees imposed on short-term rentals for occupancies that occur in other types of real property, such as apartments or single-family houses.

This bill calls for the State to impose sales and use tax, a transient accommodation fee, and authorizes municipalities to impose a transient accommodation tax on the leasing of space for the accommodation of transient guests in a residence or other residential unit through a transient space marketplace in this State. Under this bill, the lease or rental of a space for the accommodation of a transient guest through a marketplace is subject to the same taxes and fees as the lease or rental of a room in a hotel in this State. As written, if a transient accommodation is not booked through an internet marketplace, the lease would not be subject to the taxes and fees.

The Commission suggests changing the current definition of "hotel" to include these transient accommodations. All transient accommodations whether reserved through an internet marketplace venue or not, would then be subject to the same tax treatment.

Recommendation

The Commission opposes the enactment of this bill.

Commission Members For Proposal: 0

Commission Members Against Proposal: 5

Commission Members Abstaining: 0

SALES AND USE TAX REVIEW COMMISSION
RECOMMENDATION PURSUANT TO P.L. 1999, C. 416

Bill Number: S-2600

Date of Introduction: 09/29/16

Date of Consideration: 11/30/16

Sponsor(s): Senators Kean and Sarlo

Co-Sponsor(s):

Identical Bill:

Committee: Senate Economic Growth Committee

Description

This bill exempts the sales of certain materials used in the industrial sand casting processes from sales and use tax.

Analysis

The intention of this bill is to exempt certain materials used in industrial sand casting processes that do not become part of the final product from sales and use tax.

The Commission recommends that businesses making such purchases, seek a Letter Ruling from the Division of Taxation outlining whether or not such materials used in the industrial sand casting process are subject to sales and use tax.

Recommendation

The Commission opposes enactment of this bill.

Commission Members For Proposal: 0

Commission Members Against Proposal: 5

Commission Members Abstaining: 0

SALES AND USE TAX REVIEW COMMISSION
RECOMMENDATION PURSUANT TO P.L. 1999, C. 416

Bill Number: A-4241

Date of Introduction: 10/07/16

Date of Consideration: 11/30/16

Sponsor(s): Assembly Members Houghtaling, Downey, and Muoio

Co- Sponsor(s):

Identical Bill: S-2701

Committee: Assembly Appropriations Committee

Description

This bill clarifies sales tax collection responsibilities of horse-boarding businesses in New Jersey making changes retroactive to October 1, 2006.

Analysis

The effect of this measure would be to 'clarify' the sales tax collection responsibilities of horse-boarding businesses in New Jersey, by providing an exemption from sales and use tax for the lease or rental of certain stable stalls, charges for horse-boarding, and certain other related services.

There were inconsistencies in the manner in which tax was charged on horse boarding services. Therefore, it is not possible to estimate the amount of tax revenue that would be lost.

Recommendation

By motion the Commission reaffirmed its previous recommendation to oppose enactment of this measure. Commission member, Susan Feeney Esq. reaffirmed her abstention.

Commission Members For Proposal: 4

Commission Members Against Proposal: 0

Commission Members Abstaining: 1

SALES AND USE TAX REVIEW COMMISSION
RECOMMENDATION PURSUANT TO P.L. 1999, C. 416

Bill Number: S-2701

Date of Introduction: 10/13/16

Date of Consideration: 11/30/16

Sponsor(s): Senator Bateman

Co-Sponsor(s):

Identical Bill: A-4241

Committee: Senate Budget and Appropriations Committee

Description

This bill clarifies sales tax collection responsibilities of horse-boarding businesses in New Jersey making changes retroactive to October 1, 2006.

Analysis

The effect of this measure would be to 'clarify' the sales tax collection responsibilities of horse-boarding businesses in New Jersey, by providing an exemption from sales and use tax for the lease or rental of certain stable stalls, charges for horse-boarding, and certain other related services.

There were inconsistencies in the manner in which tax was charged on horse boarding services. Therefore, it is not possible to estimate the amount of tax revenue that would be lost.

Recommendation

By motion the Commission reaffirmed its previous recommendation to oppose enactment of this measure. Commission member, Susan Feeney Esq. reaffirmed her abstention.

Commission Members For Proposal: 4

Commission Members Against Proposal: 0

Commission Members Abstaining: 1