

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

**BILL NUMBER:**  
S-2565

**DATE OF INTRODUCTION:**  
February 23, 2009

**SPONSOR:**  
Senator Kean  
Senator Bucco

**DATE OF RECOMMENDATION:**  
March 11, 2009

**IDENTICAL BILL:**  
A-3750

**COMMITTEE:**  
Senate Economic Growth Committee

**DESCRIPTION:**

This bill establishes three ten-day periods of reduced sales tax imposition; in March, July and Fall. The bill provides for a State-wide sales tax rate of 3.5% during the proscribed time periods. Although the bill statement refers to a rate reduction for Urban Enterprise Zone areas as well, there is no language in the bill to establish such a reduction. The bill authorizes the Director to reduce the sales tax rate to a rate lower than 3.5% if Federal stimulus funds are available to offset the State's revenue loss during such periods.

**ANALYSIS:**

Pursuant to the Streamlined Sales and Use Tax Agreement, and sales tax holiday must conform to the limitations provided under the Agreement. The Agreement requires that sixty days notice must be given prior to the beginning of the calendar quarter in which the holiday would occur. Therefore, the State could not provide the proper notice for any rate reduction in March and will shortly have a notice problem with July. Further, sales tax holidays must be available only on items that are defined within the Agreement's Library of Definitions. Enactment of this proposal would likely take New Jersey out of compliance with the Agreement.

Also, it is not clear that a half sales tax holiday would influence consumer spending in a significant way as to justify a loss in revenue to the State in this fragile economic time.

**RECOMMENDATION:**

The Commission does not recommend enactment of this legislation.

**COMMISSION MEMBERS FOR PROPOSAL: 0**

**COMMISSION MEMBERS AGAINST PROPOSAL: 6**

**COMMISSION MEMBERS ABSTAINING: 2**