

January 13, 2020

SENATE BILL NO. 3920
(First Reprint)

To the Senate:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I herewith return Senate Bill No. 3920 (First Reprint) with my recommendations for reconsideration.

This bill would exempt recovered materials manufacturing facilities from paying the Sales and Use Tax on the sale or use of energy and utility service used or consumed in the production of products made at those facilities. The proposed exemption would be in effect for a seven-year period.

As a general matter, I have made clear that tax exemptions for large corporations must be used sparingly and in a targeted fashion. After careful consideration, I am convinced that the narrow and temporary sales and use tax exemption contained in this bill satisfies these criteria.

A recovered materials manufacturing facility is narrowly defined in the bill to cover a facility that, among other things, manufactures products made from at least 50 percent "recovered materials," that is, postconsumer materials that have been diverted from the solid waste stream, and employs at least 250 people. In other words, this bill targets the rare company that is both a significant economic driver and large-scale recycler. Importantly, the bill contains several safeguards, including a requirement that any facility receiving an exemption refund it in full if the facility relocates out-of-State, an annual review of the financial records of a qualifying facility in order to determine the economic feasibility of continuing the exemption, and a provision sunseting the exemption after a seven-year period.

I applaud the sponsors' efforts to temporarily support these unique facilities. I am, however, recommending modest revisions to assist the Division of Taxation (the "Division") in implementing the bill's requirements. My proposed changes clarify that the tax collected by the energy providers must be remitted to the Division before a recovered materials manufacturing facility may seek tax relief from the Division.

I am also recommending that the Division's annual study of the economic feasibility of continuing the exemption be conducted in consultation with the New Jersey Economic Development Authority, the State agency with the expertise necessary to conduct such a review.

Accordingly, I herewith return Senate Bill No. 3920 (First Reprint) and recommend that it be amended as follows:

- Page 2, Section 1, Line 8: After "bill):" insert "'Authority' means the New Jersey Economic Development Authority established by P.L.1974, c.80 (C.34:1B-1 et seq.)."
- Page 2, Section 2, Line 45: After "facility" insert ", and remit to the division,"
- Page 3, Section 3, Line 24: After "division" insert ", in consultation with the authority,"
- Page 3, Section 3, Line 32: After "division" insert ", in consultation with the authority,"
- Page 3, Section 3, Line 34: Delete "the division's" and insert "their"
- Page 3, Section 3, Line 36: After "division" insert ", in consultation with the authority,"
- Page 4, Section 3, Line 1: After "division" and insert "and the authority"
- Page 4, Section 3, Line 2: After "division" insert "and the authority"
- Page 4, Section 3, Line 3: Delete "its" insert "their"
- Page 4, Section 4, Line 5: After "immediately" insert "and shall apply to receipts from the sale or use of energy and utility service to or by a recovered materials manufacturing facility made on or after the effective date"

Respectfully,

[seal]

/s/ Philip D. Murphy

Governor

Attest:

/s/ Matthew J. Platkin

Chief Counsel to the Governor