

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

BILL NUMBER: S-911

DATE OF INTRODUCTION:

February 11, 2002

SPONSOR:

Senator Inverso

Senator Turner

DATE OF RECOMMENDATION:

April 30, 2002

IDENTICAL BILL: A-1774

COMMITTEE:

Senate Economic Growth, Agriculture and Tourism Committee

DESCRIPTION:

This bill establishes the New Jersey Film Industry Assistance Program in the Economic Development Authority and appropriates \$20,000,000. It expands the exemption for certain sales and services purchased in relation to film and video production.

ANALYSIS:

This bill expands the exemption provided for certain sales and services purchased in relation to film and video production to include sales of audiovisual masters and sales of services in connection with audiovisual masters made or used by film production companies. Primarily, the bill is expanded to include an exemption from tax on the sale of production equipment used to produce film masters. The additional sales and use tax exemption is intended to provide an additional incentive to attract film and television companies to the State.

The motion picture and television industry has yielded millions of dollars in revenue for the State in the past few years and is anticipated to continue to grow. The New Jersey Film and Television Industry Promotion Program would be established as a way for the Motion Picture and Television Development Commission to stimulate more film production projects within the State. Large production companies currently deliver film masters out-of-State to avoid paying tax. The exemption of the equipment used in connection with the film masters makes it easier for production companies to sell their masters within the State. Such an exemption provides an additional incentive for large production companies to develop and produce movie and television projects in New Jersey.

The rise in film and television production would positively impact the State's economy as production companies pump money into local communities. For example production companies could spend significant amounts of money within local cities and town by using local carpenters, security companies, caterers, dry cleaners, hardware and lumber stores. Increased film and video production in the State will result in increased revenue from money that is spent by the major film production companies within New Jersey's neighborhoods.

The fiscal impact of the bill is expected to be relatively insignificant. The only revenue loss under the bill would be limited to expenditures that satisfy the new exemption. The only loss of revenue would be from the production of corporate and training films for which the exemption does not apply.

The amendment expanding the sales tax exemption is simply a technical refinement that does not place any extra administrative burdens on the State. As the bill makes New Jersey a more attractive arena for the filming projects, the potential boost to the State's economy outweighs the cost involved in administering the bill.

RECOMMENDATION: The Commission recommends enactment of this Bill.

COMMISSION MEMBERS FOR PROPOSAL: 5

COMMISSION MEMBERS AGAINST PROPOSAL: 0

COMMISSION MEMBERS ABSTAINING: 0

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