

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 5438

with committee amendments

STATE OF NEW JERSEY

DATED: JANUARY 4, 2024

The Assembly Appropriations Committee reports favorably and with committee amendments Assembly Bill No. 5438.

As amended, this bill clarifies the process for appropriating revenue under the State Urban Enterprise Zone (UEZ) Program for use within UEZs. Specifically, this bill clarifies this process by: (1) requiring the revenues collected in UEZs from retail sales subject to the 50 percent sales tax exemption to be deposited in the Zone Assistance Fund (ZAF); (2) providing that the UEZ revenue flows directly to the ZAF; (3) excluding the sales of medical and recreational cannabis, and related supplies from the 50 percent sales tax exemption within UEZs, as is currently the case for alcoholic beverages and other goods and services; and (4) making certain technical changes.

As amended and reported by the committee, Assembly Bill No. 5438 is identical to Senate Bill No. 3837 (1R), which was also amended and reported by the committee on this date.

COMMITTEE AMENDMENTS:

The committee amendments:

(1) substitute the term “cannabis products” for “related supplies” in defining which cannabis products are exempt from the sales and use tax in an UEZ;

(2) clarify that the State Treasurer is required to deposit all UEZ revenues, as well as all moneys annually appropriated to the ZAF, into the fund;

(3) remove section 4 of the bill, which appropriates \$82.5 million from the General Fund to the ZAF;

(4) have the provisions of the bill take effect at the beginning of the next reporting period following 30 days after enactment; and

(5) provide technical corrections.

FISCAL IMPACT:

The Office of Legislative Services concludes that the bill will result in an increase in State revenues associated with a 100 percent increase in the sales tax collected in Urban Enterprise Zones (UEZs) for recreational cannabis and cannabis-related supplies. The bill

requires tax revenues on the sale of recreational cannabis items to be credited to the Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization Fund and the Underage Deterrence and Prevention Account within the fund.