

New Jersey Sales Tax Revenue Losses Fall Between \$64 – \$94 Million due to Gift Card Law

By James F. McDonough, Jr. on April 16th, 2012

A recently-enacted New Jersey property law may result in revenue losses totaling between \$64 and \$94 million dollars, according to an industry study.

New Jersey recently implemented a law that allows the state to seize the value of unredeemed gift cards if consumers do not make purchases within a two-year period after purchase. As a result, many providers including American Express, InComm and Blackhawk Network announced that they may discontinue operations in New Jersey.

“While our main concern is the negative impact this law will have on retailers and consumers in New Jersey, and we are fearful many more businesses will make the extremely difficult decision to no longer operate in the state, what is also becoming clear is the significant, negative fiscal impact this will have on state revenue,” said Rebekka Rea, executive director of the Retail Gift Card Association.

The New Jersey Retail Merchants Association and Retail Gift Card Association recently released an analysis showing that annual revenue losses from sales taxes and retail sales will have a negative effect on the state’s economy, which may worsen if financial service providers continue to cancel operations as a result of the property law.

“This law comes at simply too great of a cost for businesses to comply, now it appears that this law may also come at too great of a cost for the state to implement,” said John Holub, president of the New Jersey Retail Merchants Association. “This analysis clearly shows that retailers and consumers are not the only ones being negatively impacted by this law.”

Small businesses have been steadily impacted by New Jersey tax law and revenue-raising programs, such as the Grow New Jersey initiative, that are designed to boost the state’s economy overcome budget shortfalls. Many small businesses have voiced their opposition to certain provisions state revenue programs, which some say give certain businesses, such as online retailers, unfair tax advantages.