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on

Senate Concurrent Resolution No. 16  
(Proposal to amend the New Jersey Constitution  
to expand the senior citizen's property tax credit.)

before

REVISION AND AMENDMENT OF LAWS COMMITTEE  
OF THE SENATE

Held:

April 1, 1965  
Assembly Chamber  
State House  
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Senator Wayne Dumont, Jr. (Chairman)

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SENATOR WAYNE DUMONT, JR.: We will open the hearing in regard to Senate Concurrent Resolution No. 16, which is a proposal to amend the New Jersey Constitution to expand the senior citizen's property tax credit, or cash deduction from property tax, depending upon age and also gross income.

If any of you would like a copy of the Resolution, there are some here.

This would, of course, if approved by the Legislature, be placed upon the ballot - when I say, "approved by the Legislature," I mean by no less than a three-fifths majority because, you probably know, the Constitution requires that for amendment purposes there must be a three-fifths majority obtained in each House of the Legislature to put the question on the ballot in one year, the same year it's introduced, or if you get only a simple majority then you must repass it a second year with no less, of course, than a simple majority, also, in order to place it on the ballot in the second year.

You are aware too, I'm sure, that Constitutional Amendments go directly from the Legislature to the people for their approval or rejection. There is no intervention by the Governor's office, by the Chief Executive of the State, because all proposed amendments go directly from the Legislature to the people for their decision.

This particular Resolution is co-sponsored by all 21 members of the Senate. Since there are only 21, it is co-sponsored, therefore, by every member.

We don't have any line-up with respect to witnesses, those who want to testify, but I know that Mr. Russel Wilson

who is the Tax Assessor of the City of East Orange, one of the most outstanding Assessors and authorities on assessing in the State of New Jersey, is here today representing the State League of Municipalities. Mr. Wilson, we would like to hear from you.

R U S S E L T. W I L S O N: For the record, this statement is addressed to the Chairman and Members of the Senate Committee on Revision and Amendment of Laws.

My name is Russel T. Wilson and I am Director of Taxation for the City of East Orange. I have served for a number of years as a member of the Legislative Committee of the State League of Municipalities and for the past several years I have been Chairman of the League's Tax Study Committee. This Committee consists of Robert J. McCurrie, Town Attorney, Kearny; Mayor Fred Modick, Hopatcong; Mayor Alfred R. Pierce of Camden, League President; Leo Rosenblum, Tax Counsel, Jersey City; Warren H. Vandegrift, Assessor, Trenton; Raymond Wheeler, Borough Clerk, Treasurer, Tax Collector of Haddonfield; and Mrs. Claire Maxwell Young, Assessor, Tenafly.

It has also been my pleasure to serve as a member of the Cooperating Committee of the Association of County Tax Board Commissioners and Secretaries, which meets with Director William Kingsley and other personnel of the Division of Taxation, including the Local Property Tax Bureau. This last group meets monthly and affords a real opportunity for discussion of state and local tax matters.

In these capacities I have worked with a great number of New Jersey municipal officials on taxation and

financial matters affecting local government.

I appear before you today on behalf of the New Jersey State League of Municipalities. At the outset, let it be understood that the League as a whole shares with you a grave concern for the plight of the senior citizen who is trying to make ends meet with a reduced income. We fully realize and advocate that more must be done for senior citizens who are in this position. The League, however, finds it necessary to express its serious concern with the legislative tendency to provide financial relief through the tax rolls.

We are most seriously concerned with the effect which Senate Concurrent Resolution No. 16 would have on the municipalities of New Jersey.

For many years we have been asking the Legislature to make a thorough study of the tax exemption statutes. Such study has not been made and the Legislature persists, through its actions, in eating away at the property tax base which is the only source that municipalities have to support local government services, schools, counties and special districts.

In 1953 the people, through a referendum, extended the veterans exemption to include their widows. In 1960, through a referendum, the voters authorized an \$800 assessment exemption on homes owned and occupied by senior citizens. In 1963, effective last year, we did away with the reduction in assessed values which was the basis for the veterans, widows and senior citizens exemptions and in its place authorized the cash deductions from the annual tax bill.

While it is not the subject of today's discussion,

you will recall that again, through referendum, the citizens of the State authorized tax concessions to owners of agricultural or horticultural land. This Act, known as the Farm Land Assessment Act of 1964, also erodes the local property tax base in many of our municipalities.

Cash tax deductions for veterans and senior citizens exemptions amounted in 1964 to over thirty-one million dollars and this represented an increase of nearly six million over the 1963 tax year. These figures are authentic and are reported on P. 131 of the Annual Report of the Division of Taxation for 1964.

From the foregoing, it will be noted that the Legislature has granted benefits to special taxpayers, the cost of which must be borne by the rapidly diminishing number of remaining local property owners.

The League opposes this proposal for two basic reasons; first, because it is discriminatory against the senior citizen who is not fortunate enough to own his own dwelling and who is required to rent one or two rooms or an apartment, the rent for which is affected by the property taxes paid by the owner and as a result will be required to pay higher rents because the owner's tax bill will be increased by the extent to which the discriminatory tax credit will be expanded in his particular community; and, second, because it intolerably whittles away further at the local tax base.

Let me reiterate, Senator, that the League favors the philosophy of aiding senior citizens but all senior citizens. We feel that it is unfair to place the entire



burden on the local property taxpayer. If the Legislature desires to grant further benefits it should bear the responsibility of providing the funds to pay the cost.

While on the subject, it is appropriate to mention that the senior citizens tax relief act, as it now stands, is an administrative nightmare. Assessors and Tax Collectors are not basically trained in the techniques which, whether we like it or not, are those of relief administrators, nor do we think that the existing law encourages honesty.

The dividing line between \$4,999 and \$5,000 is very narrow and we wonder sometimes what mental processes sometimes torment the applicants for that relief especially since it would be possible for an individual to have \$100,000 in savings drawing 4 1/2% interest and still qualify as an eligible senior citizen.

We must once again reiterate strongly our opposition to the further granting of an exemption or deduction in the tax bill paid by any citizen or group of citizens. Such amendments only compound the problem faced by the remaining taxpayers. We speak of increased aid to local governments; however, exemptions and tax dollars deductions have eaten away an amount which is equal to, or exceeds, any relief which can be forthcoming to the local property taxpayer through the amendment of any current state aid tax proposals. While it is important to increase state aid, it is also important to maintain our existing tax base. We need to broaden the base instead of narrowing it.

For these reasons, the League is strongly opposed to SCR 16 and urges that the Legislature seriously consider other ways of assisting all needy senior citizens.

Senator, that is the end of my prepared statement but I have been informed this morning that the League has received communications in opposition to SCR 16 from Sea Isle City, Nutley, Prospect Park, Hillsdale Borough, Phillipsburg, and the League of Suburban Municipalities of Essex County representing 16 of the West Essex communities.

With your permission, Senator, may I call attention to a bill I believe has passed the Assembly, which also deals with the senior citizens. It's the one that was passed last year, somewhat belatedly. I believe the Governor didn't sign it until December 30th and it permitted the senior citizen to file for their exemption or credit for this year provided they had filed by December 31.

SENATOR DUMONT: Is that Assembly 242?

MR. WILSON: Yes, I believe that to be it. And I was only going to plead with you, Senator, if there is any way we can get some action on it in the Senate, so that we don't come down to the wire again. This provides for an extension to July 1 and, if possible, we would like to get working on it. I don't believe it's a controversial bill. I haven't heard any opposition to it. We are reconciled to the facts of life.

SENATOR DUMONT: I think the reason why it hasn't passed in the Senate up to this point is that no one is sure exactly what it would do and why it was necessary, but

your testimony for it will certainly have great weight in its speedy consideration by that body.

MR. WILSON: Well, thank you, Senator. I think all Assessors, indeed, would appreciate it. We believe it to be fair and there is no reason in the world why it shouldn't be put into effect.

Thank you very much, Senator.

SENATOR DUMONT: Just a minute, Mr. Wilson. I may ask a couple of questions. I am interested in hearing your comment about the fact that you don't think the existing law encourages honesty. What do you think could be done to strengthen the honesty that would be required under it?

MR. WILSON: Well, Senator, I think this - and from experience I believe I can speak. I don't believe that the assessor or the tax collector is sufficiently trained in the techniques of relief procedure. Actually, this is more of a welfare problem than it is a tax problem. We are teaching our assessors to be appraisers and to know the tax laws but we are not instructing them, and have no way really of informing them, in the way you investigate applicants for relief. And I believe that these things could be more readily handled through relief agencies, and preferably at the State level, than through the local tax offices. The examination of age, for example; citizenship, income, - and remember, we are dealing with elderly people. They are very hard to cope with. They don't understand. It's a very difficult thing. And, in addition to that, our own experience is that a lot of them, we believe, are

inclined to fib just a little bit when it comes to their income.

I heard that in the village of Ridgewood - I heard this only last night, that in the village of Ridgewood there is a senior citizen living in a \$50,000 house, claiming and receiving, apparently legitimately, the senior citizen deduction. Now, obviously, she is receiving aid from somewhere else although it may not be regarded as income. Maybe her children are helping to support her.

SENATOR DUMONT: Have you heard of widespread examples of this?

MR. WILSON: I can't say that it's widespread but sufficiently widespread, I think, to cause some alarm.

SENATOR DUMONT: They do have to apply every year, however, to get the credit.

MR. WILSON: Well they have to renew - refile a statement showing income, that's all, Senator. Once they've established the other qualifications there is no longer a challenge, as a rule.

SENATOR DUMONT: There is no requirement that that statement be sworn to at the present time, is there?

MR. WILSON: I don't believe so. I don't believe so. I think it's made under oath, though.

SENATOR DUMONT: It is made under oath?

MR. WILSON: Is it a sworn statement?

MR. BIUNNO: The application, and the statement is a sworn statement.

MR. WILSON: Well the application is sworn but

I had forgotten whether the income statement was sworn.

SENATOR DUMONT: As I review your statement here, it seems to me that perhaps I'm the prime culprit as I look back over all these examples you've mentioned because I think I either sponsored or co-sponsored every single one of these at some point along the line.

MR. WILSON: Well, of course, the assessors don't like to be regarded as ogres either, Senator, but, on the other hand, we do have the interest of our municipalities at heart and this whittling away at the tax base is becoming pretty rough especially in cities like Newark and East Orange where our tax rates are getting pretty prohibitive if not confiscatory.

SENATOR DUMONT: Well I know it's a problem with the highest property tax per person in the nation, and that what you face here is difficult because you have such a narrow base for raising local revenues.

MR. WILSON: Precisely.

SENATOR DUMONT: Does anybody here desire to ask, through me, a question of Mr. Wilson?

Sir, I will have to ask you to identify yourself.

MR. HUTCHINSON: My name is Hutchinson, Secretary of the Board of Assessors of the Township of Riverside.

In a number of instances we have these men who now own and operate these so-called saloons and taprooms where they are turning over their business to a daughter,

maybe 25 years of age, and in turn they are applying for senior citizen deductions. And along these particular lines, when we send out the notice each year for them to tell us of their earnings they fail to show the amount that they are receiving like from Public Service and from other factories from which they are receiving a good size dividend - not exactly a dividend but retirement pay. And we believe that there is a tremendous amount of chiseling in this thing all the way through.

Now, if there could be something incorporated in here whereby we could actually get the true facts -- we have businessmen, where they were in business and they turned the business over to the son but they still work for the son doing this amount of work and we know that their salaries are over \$5,000 - rather, their income is over \$5,000 but yet they don't report it. They are under oath but that "under oath" doesn't seem to mean anything today.

MR. WILSON: Senator, that does suggest, perhaps, a further thought that if this were administratively revised to provide that the income include any support that might be available to these people from children or other relatives which should be regarded as income because I'm sure that the average senior citizen does not regard this income as such. Now, I believe that all that would need would be an administrative ruling, I should think, from the Division. I don't believe the law would need amending.

SENATOR DUMONT: All right.

MR. WILSON: I think that type that the

gentleman referred to as chiseling - I think maybe it's a little harsh word but I think that is the type of violation of principles that we do encounter very frequently.

SENATOR DUMONT: Are there any other questions from anyone?

MR. BIUNNO: May I say, Senator, --

SENATOR DUMONT: I know you want to make a statement, Mr. Biunno, and I will be glad to hear from you in a moment but this is primarily whether anyone wants to ask a question of Mr. Wilson while he is a witness. Do you want to do that?

MR. BIUNNO: Through you, Senator, I would like to address this question to Russ - if I may use his first name, I don't think we have to be formal with respect to it.

SENATOR DUMONT: Right.

MR. BIUNNO: Isn't the statement predicated on the fact that there is an assumption that there is a great deal of what you are terming "chiseling" or erroneous representation with respect to the matter of income and this is not actually and factually the situation where you can say that it is done by the greatest majority of these individuals. It may be in some instances that you do have in various areas a situation, perhaps, such as the one that you cite in your statement of an individual with \$100,000 in a bank and with an income drawn from it of approximately \$4500 at 4 1/2% interest rate, but this wouldn't necessarily be characteristic and I don't think

that in many areas it can be even assumed to be more than perhaps a hypothetical, isolated situation.

MR. WILSON: I can't quarrel with that statement, Mr. Biunno.

MR. BIUNNO: And we, certainly, who have had that experience, I don't think can assume that to be a fact in an area such as the City of Newark.

SENATOR DUMONT: Any other questions of Mr. Wilson? (No questions.)

Thank you very much, sir, for coming down and giving us the benefit of your thoughts on this.

MR. WILSON: We appreciate the opportunity to be heard, Senator.

SENATOR DUMONT: I think I ought to put these telegrams in the record, first, before we hear any more witnesses. I will just read them briefly.

This is from the Prospect Park Republican Association: "We are opposed to SCR 16 unless the Legislature grants full financial subsidy to municipalities to offset ever-narrowing tax base."

Another one, from Frank X. Graves, Jr., Mayor of the City of Paterson: "Vigorously opposed at this time to legislation for further reduction in taxes for home owner until broad base tax is adopted. Enactment of this bill, if ratified by public referendum, could cause increase in all local property taxes. Urge you give immediate consideration to broad base tax, benefit of same to go directly to education."



I might just add, parenthetically, I think he's a little late asking me to be for that.

The next one is from Nunzio R. Pico, Mayor of the town of Belleville: "For the record in hearing on SCR 16 studies prove additional cost to town of Belleville will be \$32,760 per year if measure is adopted."

And, finally, one from Mayor H. D. McAneny of Hillsdale: "The governing body of Hillsdale supports the statement by New Jersey State League of Municipalities on SCR 16."

Those are the only wires that have arrived to date, at least, and I will enter them in the record.

Now, Mr. Buinno, you want to testify and Suppose we hear from you next. Mr. Ferdinand J. Buinno, Business Administrator of the City of Newark.

F E R D I N A N D J. B I U N N O: Mr. Senator, it is not a situation where I am here to testify, I have here and, on behalf of Mayor Addonizio, wish to deliver to you and to read into the record his statement with respect to SCR 16. May I do so?

SENATOR DUMONT: Yes, sir. Go right ahead.

MR. BIUNNO: The letter, as I said, is addressed to you, Senator Dumont, and reads as follows:

"Long-standing commitments prevent my attendance at Thursday's hearing of your Committee on the Revision and Amendment of Laws on SCR 16, the bill to increase the senior citizens tax deduction.

"As you are aware, I have long advocated

that strong measures be taken to ease the plight of the homeowner-taxpayer.

"I have particularly advocated a homestead exemption of \$5,000 for homeowners and the repeal of Chapter 51 in its entirety.

"Chapter 51, as you know, will in 1967 shift a tremendous burden of taxes from business personal property to real estate.

"At the present time in the City of Newark, there are 5,044 senior citizens on our tax rolls who receive exemption under the existing law. As a result of this exemption, these senior citizens receive a total of \$403,520 in tax savings.

"A great many of these elderly people are in the low income tax bracket and are hard-put to retain the property for which they worked and saved for so many years.

"The proposed bill is a step in the right direction. However, I do not agree with - and vigorously oppose - the reduction of the annual income limit for the increased exemption.

"I strongly recommend the annual income upper limit remain at \$5,000, while supporting the bill's provision that senior citizens between the ages of 68 and 72 receive \$120 exemptions and those 72 years of age or over receive \$160 exemptions.

"I disagree with those who believe that this extended exemption would narrow our tax base and is, therefore, objectionable. The narrowing of our tax base

comes as a result of Chapter 51 and its amendments which have created a present loss of \$137 1/2 million in personal property ratables and a prospective loss of \$9 million in tax revenue.

"This tremendous and unfair burden will be added to the shoulders of real estate taxpayers after 1966, unless remedial action is taken quickly.

"In summation, I earnestly request serious consideration of my proposal that the \$3,000 limitation on annual income contained in the present SCR 16 be amended to \$5,000 annual income, in line with existing legislation.

"Warmest personal regards. Sincerely  
Hugh J. Addonizio, Mayor."

SENATOR DUMONT: Thank you very much.

Now, I would like to ask you a couple of questions in respect to this. One is, do you know off-hand how much - I'm sure you do - how much money you receive in the City of Newark from inventory taxes, business inventory taxes?

MR. BIUNNO: I may have that handy.

SENATOR DUMONT: Or have you some approximation of it. It doesn't have to be an exact figure.

MR. BIUNNO: Well, you can figure it on the basis of 140 million multiplied by \$6.50 per hundred.

SENATOR DUMONT: Is that all represented in inventory or is part of that machinery and equipment?

MR. BIUNNO: Well, it would be the total on

our personal and that breaks down. Now, are we going to deal with it as it presently is under 51?

SENATOR DUMONT: Well, as you know, I don't like the inventory tax to start with, and have long advocated that it be repealed, that it be replaced, dollar per dollar, from the State Treasury to the local treasuries. So I was just wondering whether under such a program - let's take it, first, before it were replaced, what you get today in the City of Newark from that source of revenue, and what you would, therefore, receive if the repeal were passed and the replacement were made, dollar per dollar.

MR. BIUNNO: I don't have that figure here, Senator.

SENATOR DUMONT: Well, is most of that loss in personal property taxes or -- Let me put it this way, is most of the personal property tax assessment load - does it consist mostly of inventories or more of machinery and equipment?

MR. BIUNNO: No, the greater part of it would come from inventories.

SENATOR DUMONT: Then if the inventory tax were repealed entirely and you got replacement, dollar per dollar, you would actually make up a portion of this loss that you are talking about - Is that right? - from your local revenue structure, under Chapter 51?

MR. BIUNNO: Well, what do you refer to when you say "dollar for dollar," replacement of what it would be on the basis of our assessments under 51?

SENATOR DUMONT: On the basis of what you get under the revenue schedule. Well, I don't know exactly how it would -- What I'm talking about is, we understand that the inventory tax as a whole throughout the State produces about \$45 million worth of revenue. That may be a little on the high side. I don't know whether it's closer to \$40 million or closer to \$45 million. Now, that would not necessarily, as I understand it, be under Chapter 51. I think this was true of last year, before 51 took effect on January 1. So, if you received replacement, dollar for dollar, based upon, let's say, the 1964 inventory tax, if eventually the repealer were passed - and you know we have bills in to repeal it and replace it, too, - it depends on a lot of things, of course, - the same thing that the people of Newark were asking for here on Monday, increased State Aid to school districts, because obviously these things cannot be financed unless they are paid for.

Now, assuming it were done on the 1964 basis, would your loss then be more, or be compensated more for loss of inventories, or is it a greater loss because of what you lose on -- well, you wouldn't lose anything on machinery and equipment because you still have the opportunity to assess that. I suppose there might be some shift under 51 but you still would be assessing and taxing that. Now, if using your 1964 figures you had dollar for dollar replacement of your inventory tax in Newark, would a part of what you say you are going to lose under Chapter 51 be reimbursed to you?

MR. BIUNNO: Yes, there's no question about that.

SENATOR DUMONT: Most of it? because you have more inventory to tax or to assess and tax and therefore to receive revenue from than you do machinery and equipment. Is that true in Newark?

MR. BIUNNO: No. We do under our present formula of Chapter 51 whereby you are assessing inventory at 25%, supposedly, of its value. But, under the prior formula and under the prior figures existing with respect to the City of Newark, the ratables broke down into about a 50-50 category for each. In other words, half of it was in machinery and equipment and half in inventory.

SENATOR DUMONT: I see. All right. Now, on this question the Mayor raises about the \$5,000 limitation on gross income, in that respect when we adopted the \$5,000 figure a few years ago and put it into the proposed method, which incidentally, as I recall it, when it first passed in 1960, - I don't remember what the '63 figures were when it was changed to a cash credit but when it was first adopted in 1960 I think it received the highest majority ever accorded to a public question in this State, about a million votes.

Now, there were objections at that time, some objections, that in going for \$5,000 we were making it too high. It seemed to me that \$5,000 was about right. In reviewing this legislation to expand this, to try to get some kind of a proposal, we took a long look at the Oregon statute, which was adopted in the last 2 or 3 years in that

State, where they divide their senior citizen property tax exemption into about 6 or 7 steps, based upon age. And what they do there is to exempt a certain percentage in each step of the first \$10,000 of value - I think it's market value - of the home. And in the final step, which is based on age, - I think 80 years of age and above, if my recollection is right, - they exempt all of that first \$10,000 of property value. And then in the lower steps they start out with much smaller percentages, of course, for people who are relatively younger - maybe from 65 to 67.

So it seemed to us that, first, if we added 6 steps, instead of a couple, we would create that much more of an administrative burden on assessors. I happen to know a little bit about the many administrative headaches they have today as it is, so we confined it to two additional steps, but we also believed that we ought to, in order to give the benefit to the people who really need it, - we ought to reduce the gross income figure because, of course, those who still have no more than \$5,000 in gross income will always continue to get the \$80 credit under this. That doesn't change that, it simply lowers it to \$3,000 and the upper two steps are going to get the extra \$40 or \$80 more than the present \$80 credit.

Any figure we select has to be arbitrary, and we can be wrong about the figures but we thought that, since we had been charged with having too high a figure in the first place, to grant some additional exemption it should

go to those that have lower fixed incomes and therefore needed the exemptions more than those who are \$5,000 or less, and particularly in between \$3,000 and \$5,000.

I can understand the Mayor's concern here and I appreciate not only his position as Mayor of the largest city in the State but also the great experience he has had in legislation, both federal and state. It gets back to the point in something like this that you don't expect to please everybody, you try to adopt figures that you think are relatively fair and use them. And we gave quite a lot of thought to this because we know that if we change this too much by way of amendment, that is, amendment to the Resolution itself, - in the case of a Constitutional Amendment whenever you make a change in the Resolution by amendment you must hold a new public hearing. We expect that we will not be in session much longer than perhaps the middle of May and if this were to pass at all and get on the ballot this fall, we haven't too much time left. So we tried at the outset to be as fair and reasonable as possible and still do something that we think is necessary to help people who are on fixed incomes, usually pensions, annuities, social security, or something of that nature, and yet not go overboard in being too liberal or lenient in connection with it.

Basically that's the thinking behind this and it's not so much that we disagree with the Mayor, I think that we have here something that we believe is fair but I'm sure that we have disagreements among ourselves here



in the Legislature as to whether we've adopted the right figure or the wrong figure.

That's about the explanation as best I can give it to you. And, as I say, there aren't too many states that go into the senior citizen property tax exemption to start with. I had them reviewed recently by our Division of Research and found, I think, there were only 3, aside from New Jersey, that provide any property tax exemption for senior citizens. Oregon goes farther than any other state. Indiana has something. And there was one other but I don't remember at the moment - Massachusetts, I think it might have been, that has some provision too.

MR. BIUNNO: I can say, Senator, I can appreciate that there may be many states that do not have this but we are in a situation where we do have it and in our analysis of this - and this was one of the reasons why we didn't expand and the Mayor didn't expand with respect to the \$3,000 figure because of the fact that our analysis disclosed that the situation was such that there was nothing to back up the figure and we didn't want to get into a situation of characterizing it as being an arbitrary figure. But, fundamentally, what we have adopted and what is prevalent in the public mind is that a senior citizen who earns \$5,000 or less is entitled to this exemption, and it would seem to us that in the event that the income limitation is reduced - now, we are really going down into the type of a situation where, as Mr. Wilson characterized it, we'd be into welfare because we are dealing with people whose gross

income would be on the average of \$60 per week, and I don't think we are going to find very many of those who, in spite of their best efforts, are able to hold onto a piece of property during that period of age, particularly when you deal, for example, with properties that are one-family homes which is an all out-go proposition and no income. Some, perhaps, in the City of Newark may have a little bit of income which supplemented by this tax relief would permit them to carry on as long as possible. But I think when you narrow down the income you are effectively removing from that position of additional relief a great many of the people who are presently receiving it. So that, in effect, that relief will be minimal. And actually where there is no valid existence with respect to a figure that is picked as an income limit then I don't think - and I am certain this was the Mayor's thought with respect to it, that it should exist but rather that you should follow along in the established pattern in the public mind and that is the \$5,000 annual income figure.

SENATOR DUMONT: The Mayor, I take it, with that one exception, agrees with the purpose of this amendment?

MR. BIUNNO: That's correct.

SENATOR DUMONT: And, therefore, is basically in disagreement with the League of Municipalities' stand here. Is that correct?

MR. BIUNNO: That's correct. I might add that we didn't know the League was going to make a statement. We assumed that they would. We received notice of the hearing

and their position but I don't believe any of our representatives participated in the League's discussion with respect to this bill.

SENATOR DUMONT: Well, I would appreciate your extending my thanks to the Mayor for sending this letter in and also explain that any figure we select here we recognize has to be an arbitrary one. We are not saying this is necessarily right but we do think it does take into consideration the people whose fixed income is less than we originally set the figure for and that they are the ones we are trying to help particularly with their property tax problems.

I suppose one of the reasons why we have a senior citizen property tax exemption and a lot of other states don't gets back to the basic reason that we have the highest property tax per person of any state in the nation, thus we have to make some provision for these people who are not going to be able to maintain their homes unless we do something about the exemption process. And I can understand the League of Municipalities' concern and many of their arguments. We're just in a tough situation and hope some day, before too long, we are going to be able to resolve it in a satisfactory manner.

MR. BIUNNO: I'm certain, Senator Dumont, that you can appreciate the Mayor's concern --

SENATOR DUMONT: I certainly can.

MR. BIUNNO: -- where in the City of Newark we have over 5,000 of these senior citizens who are property

owners who are doing their best to hold on to their property and maintain it in good condition and meet all of the burdens, including the tax burden, that's foisted upon them. And certainly the Mayor wants his concern put on the record and wants you to know of it, --

SEN. DUMONT: And I appreciate his doing so.

MR. BIUNNO: -- and he is wholeheartedly in favor of it.

SENATOR DUMONT: And this letter will certainly be made a part of the official record of the hearing. And, of course, our concern over the same thing is what prompted us to sponsor this Resolution, all 21 of us.

Now, do we have anybody else who wants to ask a question of Mr. Biunno?

Yes, Mr. Wilson.

MR. WILSON: Senator, it's not so much a question, but to clarify, I think, your questioning of Mr. Biunno; I think it might be appropriate. You mentioned the \$40 million from inventory, I believe.

SENATOR DUMONT: I don't know whether it is forty or forty-five. It is somewhere in there.

MR. WILSON: According to my recollection it is around forty and I think that figure came out of your State Tax Policy Commission's study of the figures some years back.

SENATOR DUMONT: Well, our maximum figure at that time, I think was \$40 million. That is why I have been adding \$5 million to it in recent years.

MR. WILSON: May I point out that the basis for that conclusion at that time, Senator, was what I am afraid were somewhat erroneous and guesstimate figures because, remember, under Title 54 we did not have the sworn declarations of value and each assessor was rather put to it to guess the value. And I know, speaking for myself, that I made some pretty bad guesses. For example, when I was called upon to estimate or in setting assessments to allocate between inventory and depreciable property, I estimated that 70 per cent of it was inventory. As a result of the filing of these declarations for the '65 tax year, I find that my guess was very bad. Actually the inventory represents about 50 per cent and depreciable property 50 per cent.

SENATOR DUMONT: Do you think \$40 million is on the high side?

MR. WILSON: I think it may turn out to be on the

high side.

SENATOR DUMONT: Very interesting.

MR. BIUNNO: I might add, Senator, that we were present at a meeting with Mr. Kingsley Monday and I didn't want to get into it because we had figures that were given back and forth and, frankly, I am inclined to agree with Rus Wilson's estimate personally that it is on the high side. I think that eventually when we have the factual data, that is exactly what we will find.

SENATOR DUMONT: Well, I thank you both for straightening me out on that.

MR. HUTCHINSON: Senator --

SENATOR DUMONT: Do you want to be a witness, sir?

MR. HUTCHINSON: No, I want to question this gentleman.

SENATOR DUMONT: You want to ask a question of Mr. Biunno. All right.

MR. HUTCHINSON: We represent about 10,000 people and they are all small home owners and your heart really breaks to see these people come in with their Social Security checks to pay their taxes and it is a question in my mind how they are able to eat for the rest of the month when they come in with \$60 to pay their taxes and their taxes for the quarter may be \$48 and these are single homes. Now this may be all well and good in a city like Newark for the \$5,000. But I think when you come in the upper brackets, 68 to 72, \$3,000 is a fair amount for those classifications. But where you get the total income for two, I doubt very much the \$5,000 bracket

in those particular cases.

MR. BIUNNO: Mr. Hutchinson, I think I ought to add into the record at this time on my own behalf that I served as Director of Assessments for the City of Newark for two years and you speak of individuals coming in with Social Security checks. I want you to know that I have personally sat in my office and had elderly senior citizens not only coming in with those checks, but with bills and dollars in order to pay taxes and sat before me with tears streaming from their eyes looking for tax relief. I am very cognizant of the fact - and I have toured the city - I was born and brought up in the city for over 50 years. I am very cognizant of the plight of many of our senior citizens as is Mayor Addonizio and this is the reason for his deep concern because when a person has arrived at that age, I don't think you are going to find very many of them, particularly in our municipality, that are sitting with \$100,000 and \$4,000 or \$5,000 or less than \$5,000 coming in interest income from that money. What we have is what I endeavored to point out before, people who worked hard and saved during their younger years and bought a home and are now exerting every effort to maintain that home in a decent and good condition of repair and meet all of their obligations, including the one of paying taxes. And having been through this, I know that they can use whatever assistance is given to them in the line of this exemption. This is the reason that motivates Mayor Addonizio in seeking to have this annual income remain at \$5,000 so that those who would be excluded by virtue of the reduction will not be excluded, but will continue

to receive a little bit more in the line of help to help them to keep their homes.

SENATOR DUMONT: Well, I think too on behalf of the League, what Mr. Wilson has pointed out here is that they are interested in the senior citizen problem too, but they just don't believe that this whittling away at the property tax base is necessarily the right way to do it and certainly you can make an argument along that line. As I say, you are just going to have to blame me most of the time because there isn't a one of these that Mr. Wilson recited in his statement that I haven't been a part of since 1953. We don't know what we can do.

MR. BIUNNO: Senator, we are terming this a situation of whittling away at the tax base. Now I think that we are using old terminology to identify and describe a new situation. We are not actually doing this any longer under your present legal setup. What you are giving is an actual cash deduction from the amount of your taxes so you are technically not doing that and your income doesn't come - you have other income that comes into a municipality so that this wouldn't necessarily be ascribable as something that is going to come from a tax base.

SENATOR DUMONT: Thank you very much, Mr. Biunno. Do you want to testify, sir? Will you come over here and identify yourself, please.

W A L T E R     H U N T:     My name is Walter Hunt and I am the President of the State Association of Townships. In addition to that in my home town, I am the Township Clerk and



I am Director of Poor Relief.

SENATOR DUMONT: Which is your home town?

MR. HUNT: Ringoes, East Amwell Township.

So I point that out to show you that I am rather close to the people, both the senior citizens that we are discussing and the local taxpayers. We have no quarrel whatever with an attempt to relieve the senior citizens with limited income. We know their plight very thoroughly.

The State Association of Township Committeemen in their Legislative Meeting considered this bill and they took action to disapprove because we didn't see how the taxpayers could stand very much more exemption from a group of people and then the load be put onto their tax bill.

Townships mostly get their taxes from small homes and farms, if there are any farms left, and in addition to that a great many townships have quite a lot of exempt land or exempt property which takes away from their normal tax result.

We would like to be able to help the senior citizens, but this bill, it occurs to me, is directed to the senior citizen who is either fortunate enough or unfortunate enough to own his own home. It doesn't help the other fellow one bit. And it seems to me that there should be some other means derived to helping the senior citizen besides taking it from the general tax base and piling that much more of a load on the remaining taxpayers.

As I say, I have nothing prepared.

SENATOR DUMONT: Do you have any suggestions as to

any alternative, Mr. Hunt, other than this?

MR. HUNT: Well, of course, the only alternative would be that it must come from some State revenue and I have nothing prepared to offer.

SENATOR DUMONT: Right. Any questions anyone desires to ask Mr. Hunt? [No response.] Thank you, sir.

Does anybody else want to testify now?

W I L L I A M C. H O G A N: I am William C. Hogan, the Tax Assessor of Neptune, New Jersey.

Senator, if I may I would like to read this statement and perhaps digress a bit from it.

I fully concur with that portion of the testimony as presented by Mr. Wilson, I believe, earlier, in which the League of Municipalities says, "If the Legislature desires to grant an additional benefit to senior citizens, it should meet the full responsibility and finance the costs for such increased benefits." I am also in accord with the thinking of the League that this measure is inequitable since it offers no assistance to the senior citizen having a low income and owning no real property.

Now this is, in one respect, public assistance to senior citizens who meet certain age and financial requirements, and this I fully support. I am opposed, however, to an exemption from the tax rolls as it is presently administered. I would like to cite a few statistics to show how it would affect the Township of Neptune. We presently have 750 senior citizens. 185 are in the 68 to 71 age bracket; 418 are in the

72 and over. Now this would mean an additional \$49,580, if they all met the financial requirements, and I might suggest at this time that 70 per cent fall in this category, 70 per cent of the figure I cited. Now the present \$60,000 being granted, plus the \$49,580, would amount to \$109,580. This would mean a tax rate of approximately 7 1/2 cents per \$100 of valuation. I might digress here for a moment and say that like a lot of urban areas we are growing fast and require a lot of schools. Our rate has increased from 100 per cent evaluation, from 1962, from 2.46 to this year of 3.44 with a larger increase due for next year. It is getting quite burdensome.

Now this, with 2,000 or 2,100 veterans in our town - as presently the senior citizens and veterans is 13 cents on our tax rate - and with this additional would mean a 17-cent tax rate just to grant these exemptions. This 17 cents is one-third of the total tax rate to operate our municipality, which is 55 cents. Now this is quite out of proportion, I think.

I do have suggestions as to how I think it should be handled.

First, I think it is unfair on any municipality that has a larger number of senior citizens and, if I may include the veterans for the point of this discussion, as opposed to a municipality that has very few. I think it is an unfair burden on that particular municipality. So I would suggest that consideration be given in the final analysis of this resolution as proposed by the Senate that the cost of these

exemptions should be more equitably distributed by the State. I suggest that the senior citizens' and veterans' exemptions still be filed with the local Assessor and, after approval, a formal report of same should be forwarded to the Local Property Tax Bureau, Division of Taxation. This Bureau could total the number of exemptions in the State and determine the tax rate to cover the cost on a State-wide basis. Then they should certify to the county tax boards this tax rate so that every municipality would share and share alike in the exemption.

At this time I might state that in Monmouth County we have 53 municipalities. It runs from a low of 3 cents to a high of 24 cents. We happen to be 13 at the present time. If this was averaged just on the real property and not including personal property, it would average out to ten cents. Of course, being very selfish, in Neptune Township this would amount to \$37,000 and \$37,000 is equivalent to 3 1/3 cents on our tax rate. This is important.

If and when this resolution is adopted into law, it should state the effective date. Now I am referring back to when the senior citizen was first granted \$180 and there was no effective date. So the Legislature decided that it should be for the current year, which created quite a turmoil as you are well aware. By the same token, when the registered voters voted for \$50 and \$80 exemptions as opposed to the old method, after tax duplicates had been prepared in most instances, then it was determined it should apply this year again, here again creating a lot of turmoil in the already

harassed assessing business. And in many instances where books had already been prepared at a cost of several hundreds of dollars, changes had to be made. So I suggest that when this resolution is adopted into law, it state the effective date, and it should be adopted into law by September 1st so that the eligibility of the senior citizens could be determined from their income statement when they file in the month of October. If it isn't possible for this to be adopted into law by September 1st, then the effective date should be postponed for one year so that we wouldn't run into this turmoil. Invariably radio stations get the wrong information, like at Christmas time when one station was stating some rigmarole which was all wrong and a lot of people thought they had to come in and refile and a lot of them thought they were losing their exemption, but it was a misunderstanding.

Now I believe that every property owner in the State - and this is repetitious - is equally responsible for the exemptions granted by the State, regardless of local government boundaries, and the State in enacting these measures, I feel, should administer them.

I might digress just one more time. I think it is important that these perhaps be filed on a Statewide basis and this, of course, would apply more to the veterans. I have discovered in recent years veterans having two or three veterans' exemptions by checking them out. Sometimes they honestly think they are entitled to them. I understand the Division now has a new IBM machine that could be used if all

these exemptions were filed on a Statewide basis. It would be a cross check and perhaps save considerable money. Senator, that is my suggestion, that it be on a Statewide basis.

SENATOR DUMONT: Are there any questions of Mr. Hogan?

[No response.]

Mr. Hogan, on this effective date, I know you have a good point in respect to that. Our problem is, of course, we won't know until November 2nd of this year, if this goes on the ballot then, what the decision is. And then, the people to whom it might apply have read about it or heard about it through one of the many media of communication. The problem as I recall it the last time was: How do you postpone it a year? They come in and they expect to get it immediately. It is a little bit difficult to explain to them just why they can't have it, say in 1966 instead of having to wait until 1967 for it.

MR. HOGAN: I realize the Legislature has quite a problem here. But I think if it is incorporated in the bill as it is printed on the ballot, if it is spelled out, it would probably eliminate any confusion that might arise.

SENATOR DUMONT: It would if everybody read the question carefully. I doubt that will happen and I am not saying you don't have a good point. It is just one of those things that gives us a problem too. In fact, when we were drafting this thing, I might add, there was a question whether we ought to have \$3000 or \$2500. We finally decided on \$3000. There was also a question of whether we should start at 80 years of age and above before you get the \$160 worth of

cash credit rather than start at 72. So we have had a lot of different viewpoints here which we have interchanged and tried to boil down to something that we think is -- we know it is arbitrary, but we hope it is reasonably fair. That was the whole basis of it. We have just as many different viewpoints, naturally, here in the Legislature as people have outside the Legislature in respect to these things. We talked a lot about it before we got it into a form where it at least would represent a resolution that we could consider and hold a hearing about.

MR. HOGAN: I realize you have quite some problems. Of course, my real thinking in this is that it should not be applicable to the tax rolls at all. As far as the veterans are concerned, I think a bonus outright would be better and eliminate this because I don't think that the taxes were established originally or are presently being administered for exemptions to anyone, but rather for the raising of sufficient funds for the efficient operation of government. However, I am not opposed to the senior citizen and the veteran receiving these benefits. I just don't think that the tax roll is the place for it to be administered. That is my main objection.

SENATOR DUMONT: Thank you very much, Mr. Hogan.

Mrs. Harger, Director of the Division of Aging,

M R S. E O N E H A R G E R: Senator, I have had all sorts of ideas coming to my mind as I have heard the other people that I would like to comment on, but I think I will

proceed with what I have prepared to say and then perhaps add one or two things at the end which perhaps are pertinent.

The Constitutional Amendment offered in Senate Concurrent Resolution No. 16 would undoubtedly help some older homeowners who have inadequate incomes. As you people knew when you prepared this, in 1960, 37 per cent of the couples in the older age bracket had incomes less than \$3000, while 80 per cent of the non-married individuals in this group had incomes under \$2000. Since about two-thirds home ownership is characteristic of the total group, including many non-married people, it stands to reason that a goodly number might find additional tax relief of some help. However, since no statistical data that we have are available using 68 and 72 as breakdown points, there is no way of knowing the exact number that can benefit.

I was interested that one of your municipal people did have figures for his town. We don't have them in any kind of a broader area at all. So we don't know how many can benefit from the Amendment nor what impact this tax concession does have on local tax structures as a general rule. We would like to raise the question as to why age limits of 68 and 72 are imposed. A person of 65 who has an income under \$3,000 is in as serious financial difficulty as one 68, perhaps more than one 72, since at 72 the Social Security retirement test which limits potential earnings of Social Security recipients to \$1200 is removed. A maximum of \$127 is available under social security at the present time. The amount received may range from \$40 to



\$127. It goes as high as \$190 for a couple. Any one of these figures would have a total for the year of under \$3000 and I have tried to find a figure of about how many people live on Social Security alone. The national figure is that 71 per cent of the couples receiving Social Security receive only Social Security and the figure for single individuals is much higher. So this means that a tremendous number of people 65 and above have no income other than this.

I would like to point out that if the idea that they would be able to work at 65 and above was the reason for setting the figures at 68 and 72, this is an ephemeral hope because employment opportunities available to Social Security recipients are very few and far between.

While recognizing that some small benefit may accrue to some people, the fact that people are trying to maintain a home on what has been declared a poverty level is a real problem, and I think I go along with the people from the municipalities who were talking about the problem of these people. I think perhaps it might be interesting to spell this out and I did spell some of this out for you. The New Jersey Welfare Council in its Guidelines to the Measurement of Ability to Pay for Health and Social Services points out that \$3,738 is needed for a "modest but adequate level of living" for a couple. You notice that this is almost \$800 above that \$3,000 limit. Real estate taxes, repairs and maintenance charges must be met if they continue to occupy their residence. Usually these are not given any consideration in the budgets we have and I would like to talk about

these budgets. A recent study of the Federal Bureau of Labor Statistics concludes that an elderly couple could live on \$2,500 a year if they own their own home and live in a small community. I point this out because this is the difference between Ringoes and Newark as you listened this morning to the testimony. In discussing the Bureau of Labor budget, the Division of Research and Statistics of the Social Security Administration analyzes how the couple would live.

" . . . The couple's budget provides, for example, not quite an egg a day per person for the table and for use in cooking, and about a half pound of meat, poultry, or fish - barely enough for two small servings per day. For the entire year, it provides for a total of 15 restaurant meals. . . . There was no provision for a special diet and practically none for household help or the expensive types of medical care that are all too often associated with the terminal illness that strikes 1 in 10 aged couples every year. . . . Five-sixths of the couples were assumed to have a telephone for which they paid the minimum rate. The budget assumed the couple had an average inventory of clothing and house furnishings. Following are examples of certain types of clothing that could be purchased to maintain their inventory: The man could replace his topcoat only every ninth year, and his wife could buy three dresses each year, including housedresses.

Ownership of an automobile was assumed for about one-fifth of the couples - with the percentage varying somewhat with the size of the city - and replacement was allowed every 7 or 8 years. For those without automobiles, four bus or trolley fares a week were included. Husband and wife could thus ride together once each week to church, or to visit friends, or to shop, or to the movies in the one week in four that they had the cash to pay the admission fee. The budget did not provide for life insurance premiums on the assumption that life insurance policies were paid up before retirement. (This is a very unrealistic assumption.) The medical costs calculated on the assumption of reasonably good health averaged about \$315 for the couple at autumn 1962 prices, well below the cost of comprehensive private health insurance protection such as 'Connecticut 65,' 'New York 65', . . . Most couples have medical expenses not covered by the insurance policy. . . . The allowance for transportation costs in the BLS budget for auto owners were more than \$500 larger than those of couples not owning a car. . . . Taking into account the transportation and higher medical expense factors, the adjusted 'modest but adequate' level would probably come to about \$2,800 for a retired couple." (So people couldn't live on \$2,500, even though the Labor Department says they could.)

Then they add that the housewife has to be a very

careful shopper, able to buy food where it is most reasonable - and this means transportation - who is a terrifically skillful cook and who could prepare meals without one iota of waste.

I might say nothing about taxes or property maintenance were included in this budget. We have numerous letters showing that the tax increases in recent years have far exceeded the amounts contemplated when those retiring on fixed incomes planned for later years and the people are really in trouble. Then we have additional ones saying they are unable to maintain their homes, the plumbing, the painting, and so forth. And these are all things that have to be pointed out when we talk about giving these tax concessions. We don't know whether they are going to do enough good.

While a tax concession may be helpful in particular cases, if granted, it should be done with the full recognition that it will not solve many problems nor remove the responsibility for additional and continuing efforts to develop residential alternatives as a replacement for the struggle to maintain homes which are far too large and too expensive on these small incomes. The idea that retirement means banishment to some far-away, age-limited area does not appeal to many who are searching for suitable housing near "home." Most older people prefer to live out their years close to familiar neighborhoods with continuing access to families and long-time acquaintances and social contacts. So each community should provide a variety of housing

arrangements - especially the non-institutional kinds that permit independent living without major responsibility on the older person. Garden apartments are often a welcome exchange for large homes and small houses on small lots can be managed easily when family-sized establishments become unbearable burdens, physically and economically. Present planning and zoning laws do not have such flexibility and we think this is another area that must be looked at in our State.

Additional tax relief - yes. But let us recognize its limitations for the elderly and push ahead vigorously to take full advantage of Federal money available for more suitable housing for the elderly under both public and private auspices. At the same time, we must develop community awareness of the need for expanding existing resources so that they are available to older people.

I wanted to add, after hearing one of the people testify that there is quite a difference between the number of older people in a community, that there is a tremendous difference between counties too. I didn't bring those statistics, but you would find this burden of this tax really might be something to think about when you looked at various counties. We have the percentage of older people in counties varying from 6 or 7 per cent in some counties to 16 to 17 per cent in others. So it isn't only a municipal problem. I think you are going to find it has a considerable impact in other places too and at least people should be aware of what is going on. I am for anything that we can do

and this may help a lot of older people. I think we need to do more, Mr. Senator.

SENATOR DUMONT: Thank you very much, Mrs. Harger, for the comments you have made here today, not only in respect to this, but in respect generally to the problems of senior citizens. We commend you for the good job that you are doing as the Director of the Division of Aging, I might add too.

Any questions of Mrs. Harger? [No response]

Thank you very much.

Yes, sir.

J O S E P H     E.     B E N N E T T: I am Joseph Bennett, Township Clerk of the Township of Neptune.

This is my prepared statement and I thank you for the privilege of reading it.

The proposal of increasing the dollar value of exemptions for senior citizens in particular age groups with limited income, is a worthy consideration; however, under the present or proposed plan, this would be limited to those who own real estate. These senior citizens are, in most cases, somewhat better off by the mere fact that they have the equity of their property and their cost of shelter is less per year than that of a person paying rent. The benefit should be for all senior citizens.

Further consideration should be given to the entire proposal of attaching various forms of exemptions to the property owner who is presently paying the entire bill.

I think we all recognize this burden and are aware

that consideration is being given to another form of tax to help the property owner to the extent of relieving some of the expense of education, which is, in most cases, the major portion of the property owner's tax.

To consider the increasing of the exemption program, regardless of the importance of the need, to the extent of an increased burden on the property owner, appears unfair. It is reasonable to assume that exemptions could be considered for parents of students in college, blind persons, or widows with limited incomes. These are all worthwhile considerations, but these should be considered only at such time as the State provides a plan to provide the funds without further burdening the property owner.

Senator, the one point that I am trying to make here is that this could go on. There are many worthy causes. And I think each one, depending on the presentation made, should get consideration. But I think that it cannot go on endlessly adding to the burden of the property owner. We recognize with education that he needs relief and particularly in communities where substantial senior citizens' developments are appearing. I know in certain sections in the center part of the State a major part of their revenue is built around the income of the senior citizens' developments and to have this shift may make a particular hardship in those areas. Thank you.

SENATOR DUMONT: I want to mention here that I just don't want to be in the position of sponsoring all these exemptions without also, as you know, sponsoring legislation

to try to provide substantially increased State aid to the school districts and pay for the same. It isn't a matter of a one-way street. I agree with your viewpoint that this is not something we ought to be doing continually without providing the help to municipalities for education, local transportation needs, repeal and replacement of the business inventory tax, and also having legislation to provide the means to pay for those things. So I think by degrees here we are getting more and more consistent with the position that as long as we are going to sponsor things that do perhaps whittle away, to use Mr. Wilson's phrase, at the property tax base, we also, some of us at least, are trying to make up the difference in other ways. And I think we are getting more and more people to agree that there has to be some way to do that too.

Thank you very much. Are there any questions?

[No response.]

Does anyone else desire to testify? [No response.]

Well, I thank you very much for coming here today. I think it has been a good discussion both for and against the proposed amendment and I appreciate your taking the time to be here. Thank you very much. The hearing is closed.

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