

Ann Hart

H E A R I N G

IN RE: TASK FORCE "C" :
(The Property Tax) :

TESTIMONY

City Hall,
New Brunswick, New Jersey
May 4, 1971

B E F O R E

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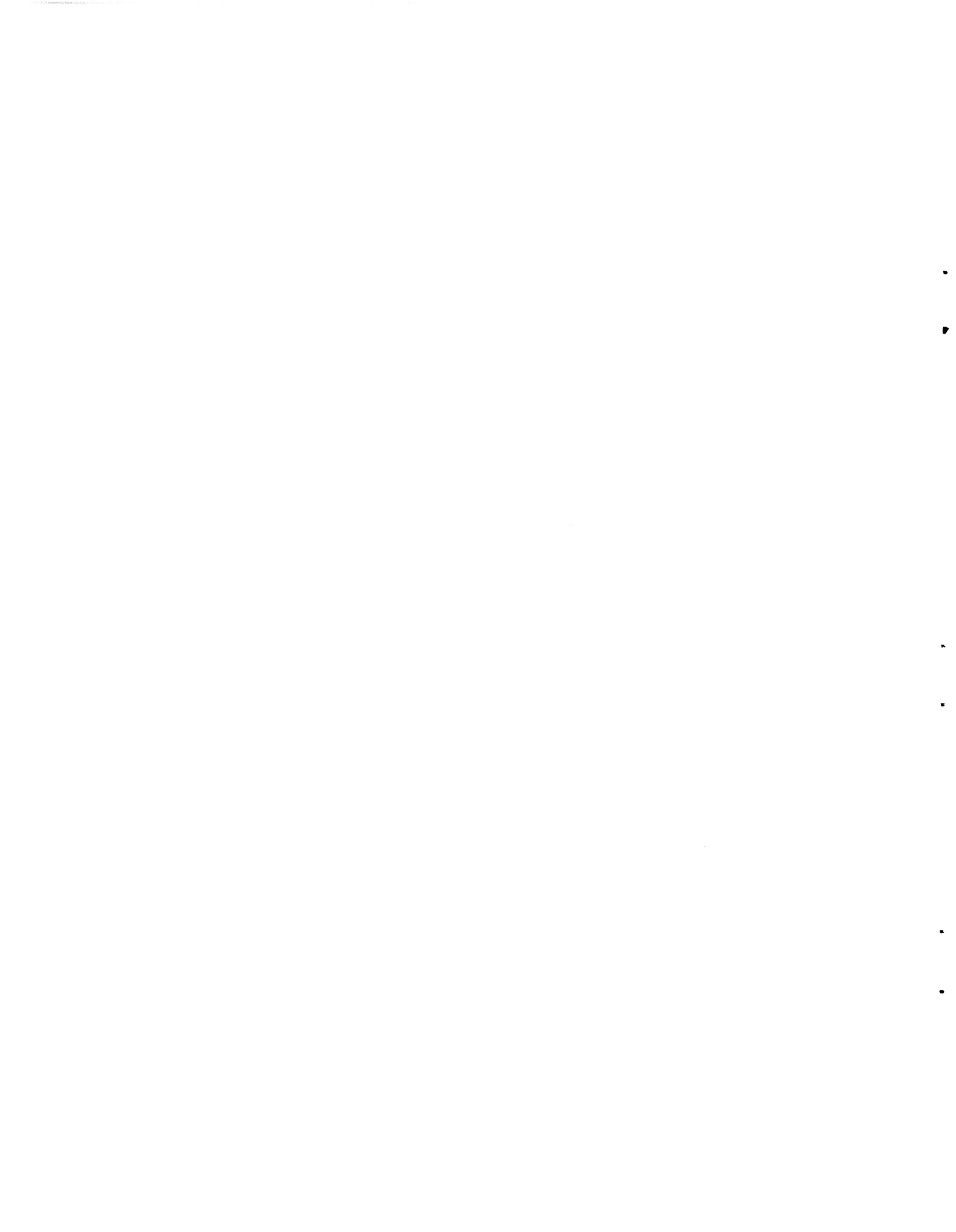
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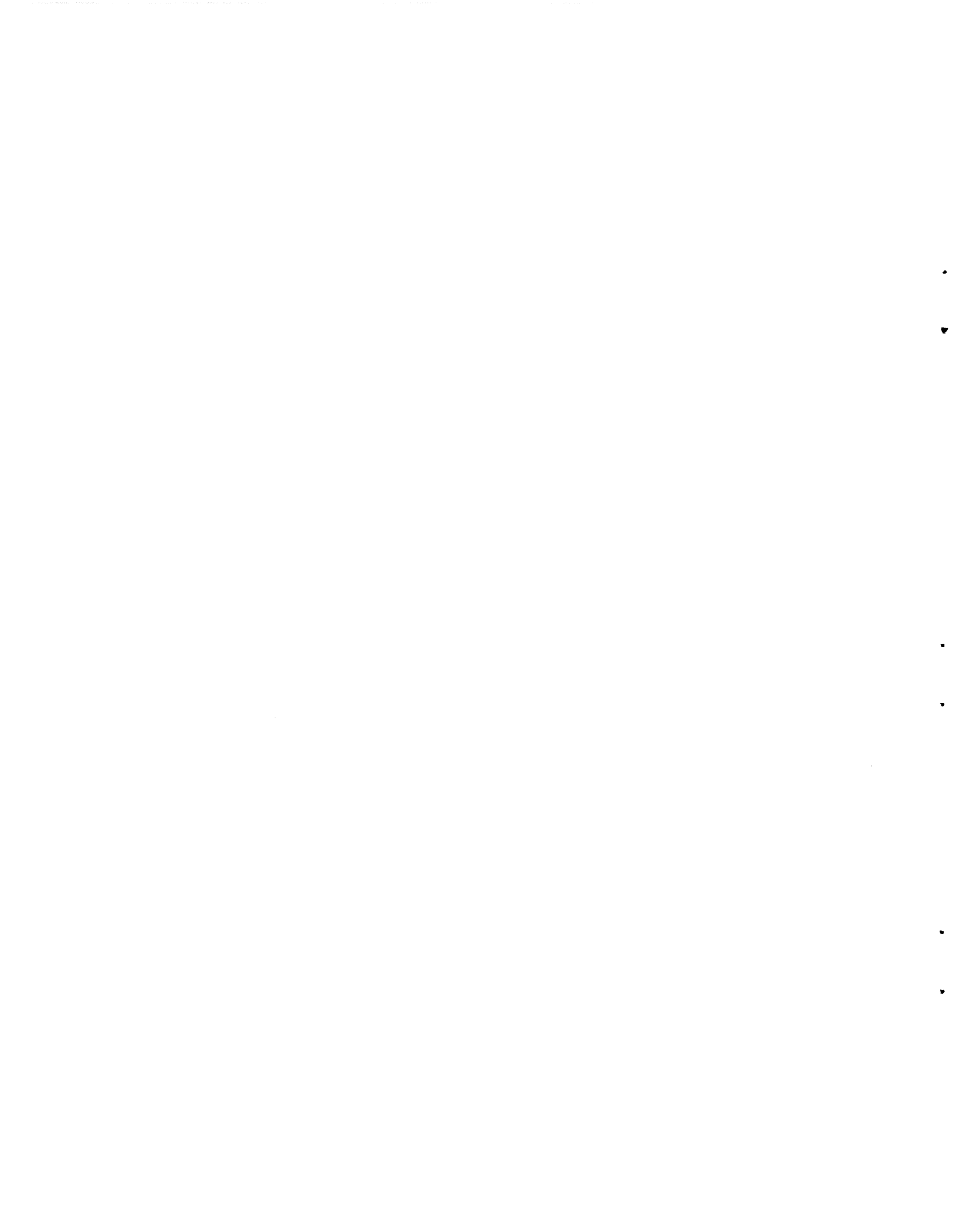
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CHAIRMAN JOHNSON: Mayor Sheehan

and gentlemen, this is one in the series of public hearings of Task Force C of the Governor's Tax Policy Committee. This Committee has a -- this Task Force, rather, has a very narrow job description having to do strictly with restructuring the property tax. It cannot deal with costs of government, revenues, other types of taxes. The Tax Policy Committee is divided into several Task Forces of which this is one. There is one having to do with fiscal needs and forecasts, revenues, resources and tax inequities and services, levels of costs and allegations, and public credit. We simply remind you of the provisions of our job description, so that you will not waste your time or the time of the committee. If you will strick strictly to the property tax in your testimony, it will be helpful to all concerned.

Now, we are here at the request, not only of Mayor Sheehan, but Senator Tanzman, Senator John Lynch, Assemblyman Haelig, the Mayor Bennett of Piscataway Township, President of the Township Council, Mr. Edward Sinatra. And in order to permit everyone to be heard, your original testimony will be limited to ten minutes, and the chart counts you down here at

five minutes, after which your original testimony at least will be terminated. Then after everyone who wishes to be heard has been heard, you will be given permission to extend your remarks.

Now, the witnesses are being called strictly in the order of their registration with the Task Force, and the first witness is Mayor Sheehan.

I might say, Mayor Sheehan, this is, perhaps, the most auspicious launching this Task Force has had.

MAYOR SHEEHAN: Thank you.

I do not intend to belabor the points, and I will be very brief, hoping by this time that the full dimension of the problem has been crystalized for your deliberations. And particularly, let me welcome you to New Brunswick. I commend your willingness to hold hearings in the various cities throughout our state, because I think that no one will deny that this is where the financial crisis is most severe, and these are particularly the places where the financial strain has prevented most of us who are mayors from implementing service programs desired and required by our citizenry. The buildings and facilities that you have found in these cities are really monuments to past glories. The decades of the fifties and sixties have generally gone by

with little municipal modernization. In view of our financial situation no more could really be expected.

In New Brunswick this year the property tax is eight dollars forty-six cents per hundred. Our ratio, under appeal, is currently 38.7%. This, despite the addition this year of two hundred and ninety thousand dollars in special urban aid! We expected the situation to be even worse.

Translated into a real life situation this means that for a house assessed at seven thousand five hundred dollars, the property owner must pay six hundred thirty-four dollars and fifty cents in property tax. Houses in this value range are generally on a twenty-five foot lot, with one bathroom, no driveway, houses that are often better than forty years old. Twenty percent of our homeowners are senior citizens whose income is fixed, yet they must pay a sixty-two point increase this year! Half that amount is too much to pay on a house of this value. According to our County Planner, this city has more poor and more aged than any other municipality in the county. This alone puts a great stress in our ability to pay. Yet, the situation is further compounded by factors beyond our control.

If in fact the property tax is to pay our way, the first order is to allow us to fully levy this tax. Yet, nearly one-third of our ratables are tax exempt! New Brunswick is the county seat, it is also the home of Rutgers University. We are proud of both designations. We recognize very real economic advantages from both, but the fact remains that the money the city needs to actually operate both this municipality and this school system comes from property taxes. We cannot afford tax exempt lands. We get no operating funds from property that is exempt from taxation! Two-third of our properties finance three-third of the burden. Token and arbitrary payments made by the State in lieu of taxes for State owned lands in a municipality where that same state requires you to operate primarily on funds raised through property taxes is not only a contradiction in terms - it defies all concepts of justice and reason. This constant erosion of the tax base through urban renewal, and the state and county acquisitions, as well as the lack of uniformity from community to community, serve as a stranglehold on the older communities in particular.

The sinecure of all times, the most exalted of all sacred cows if you will, is "home rule", local

control is the must - yet, I ask you whether new town or old, what effective local control do we have over school spending and this never-ending meteoric rise in the educational costs? Again, the municipality is expected to raise these monies in amounts far in excess of what we judge is the taxpayers ability to pay and derive this total from substantially less than a total tax base due to the exemptions imposed from higher levels of government.

It has been said many different ways, but truly we are fast making our cities the "jailhouses for the poor, the aged and the disadvantaged". I firmly believe that the inequitable imposition of the property tax as we now live with it coupled with the unrealistic burden it is supposed to finance namely education plus municipal service, is hastening us toward that end.

Because of my position as a member of the Tax Reform Committee, I do not believe it would be appropriate for me at this time to suggest any means to resolve the situation but given the special characteristics of the problem of the Property Tax in New Brunswick and the clear inequities that are beyond our control, I felt it necessary to highlight some of them as we currently live with them here in

attempting to meet the urban crisis daily.

And, again, let me repeat that I amend all of the committee, this Task Force, for being willing to traverse this state to see first hand some of the problems, and I would mention that later in the day-- excuse me, the President of the Middlesex County Mayor's Association representing all of our county, large towns and small, old cities and new suburban communities is going to present what I think is a very significant statement, if only in the fact that the twenty-five municipalities and the twenty-five mayors, again, Republican or Democratic, large and small, have been able to agree on unified testimony to this committee. Thank you.

CHAIRMAN JOHNSON: Thank you, Mayor, for your thoughtful comments.

Now, do I take it from your latter part of your testimony that you would prefer not to submit to questions?

MAYOR SHEEHAN: I will, but I didn't feel it appropriate for me to say that the committee should decide this or that.

CHAIRMAN JOHNSON: The first question of the chair was about to pose was whether or not you had specific recommendations with respect to

restructuring the property tax.

MAYOR SHEEHAN: Well, I think that in a very general way, I hope that I represent the feelings of many in that the inequities that are locked into the property tax now to changes that are imposed on us in terms of what we can collect and how we can collect it, the fact that special interest groups, these would be the railroads, pay a different tax than the homeowners. The fact that the state pays a token amount in lieu of state properties, these kind of inequities, if in fact there is to be property tax and beyond that, I feel very strongly that the property tax is -- it is to be the municipal, the main source of income, well then it should be burdened with financing municipal services. And the costs of state programs, the costs of education must all be on a much more broadly based tax as opposed to property tax.

CHAIRMAN JOHNSON: Mainly, as you know, the property tax now produces approximately two million dollars in revenue in this state, a lot more than a quarter of a billion in one year. I think that maybe we have to assume in these hearings that this is going to continue to be a property tax in some form. Perhaps, we could make it fair and more equitable.

MAYOR SHEEHAN: Well, I don't think that there isn't any mayor around who wouldn't say that the property tax could adequately and reasonably finance municipal services and provide for the needs of our citizens, if in fact we were able to collect the full amount, and if we had some limitations as to the other demands made upon the property tax, most likely, of course, education.

CHAIRMAN JOHNSON: Any questions on this side?

MR. HAINES: No.

MR. MOWERY: Mayor, you point out here that one-third of your ratables are tax exempt due to the college. I would like to raise this question. I don't know the answer. We hear so much criticism about the tax exempt property, but also, doesn't this tax exempt property bring income, revenue to the city because of jobs?

MAYOR SHEEHAN: Oh, it does indeed. We recognize, as I said, great economic advantages, for example, the university is one of our largest employers. But, while this is of economic benefit to the community over all, it does not supply us with operating funds. Operating funds to collect the garbage, to hire policemen, to pay pensions, to conduct an adequate health program or recreation

program. It makes the level of economic living in the community better than it would certainly be without it. I testify several times before the Appropriations Committee in the legislature, and at no time did I ever suggest that perhaps they would have to pay one hundred percent of the tax, because there is a real benefit from their being here. But we passed the point of no return on that benefit, and there should be some real recognizable formula. For example, prior to last year, the time before that in New Brunswick that the state payment in lieu of taxes had been a hundred and ten thousand dollars for roughly three million dollars worth of land and facilities in the university. Now, that was set, I believe the last year, as I say, prior to last year, was 1951. Well, in the period from 1951 to 1970, Rutgers acquired more properties in New Brunswick, so that there should be some kind of a formula for every inch of land that the state acquires, there should be some reasonable ratio of payment for that benefit. Now, there is currently a situation where if they owned, you know, so many acres, you are entitled to, I think it's land tax, but it's based on the value of the land at the time of acquisition. Well, you know, number one, we have no records, some of it goes back two hundred years, and

number two, the value of it at acquisition has nothing to do with the value for it right now. And, yet, the cost of providing service particularly in a central city that's going up and up. Having the poor, having the aged, having the disadvantaged or concentrating those groups while they have the least ability to pay, they have the most need for services. And, yet, I think that if you consider our children, say as a resource, it's important to us that the child whose going to high school or grammar school in New Brunswick, or Oshkosh or Wayne, or Short Hills, or somewhere in anywhere across the country, that they get, you know, the best education that can be provided for their potential, because ten years from now, they might be settled here in New Brunswick, or your town or somewheres else. So it's a resource. And, yet, if we ask only those citizens within the -- within the confines of the central city to provide not only the normal but in most cases special educational requirements, we box them in and deprive them, of no fault at their own.

CHAIRMAN JOHNSON: Any other questions?

MR. GUNTSCH: Mayor, would it be unfair to ask what your in lieu payment is now?

MAYOR SHEEHAN: Last -- it was a hundred and

ten last year and they gave us an additional fifty-five thousand. So we now get a hundred and sixty-five thousand.

MR. GUNTSCH: Do you have any idea what the fair market value of the university is at the present time?

MAYOR SHEEHAN: I would be hesitant to say exactly, because I am not sure what you mean by fair market value. We assume, true value, based on our current taxation, it would be over three million.

MRS. KLEIN: What proportion of your tax -- taxes go for public education?

MAYOR SHEEHAN: About sixty-eight percent of our, you know, the local -- locally raised property tax.

MRS. KLEIN: And on this evaluation of the house at seventy-five hundred, what percentage of true value is that?

MAYOR SHEEHAN: Well, it's in theory, fifty percent. Although, we have been disputing with the county.

MRS. KLEIN: About a fifteen thousand dollar house?

MAYOR SHEEHAN: Right.

MRS. KLEIN: Thank you.

Any other questions?

Thank you, very much.

MAYOR SHEEHAN: And, again, my congratulations on your being here.

CHAIRMAN JOHNSON: Thank you. Thanks for the use of the hall.

Our next witness is Mr. Louis Schick, Tax Assessor, New Brunswick.

MR. SCHICK: Although I am the assessor here in the city, I am here as a homeowner, rather than in any official capacity.

All assessors are familiar with the three approaches to value, which are reproductions and costs less the depreciation, sales, and the income approach. In my estimation, the income approach when used as a guide to value is discriminatory. The homeowner is penalized by being denied this approach, which invariably produces the lowest ultimate value. The homeowners should only rely on sales reproduction. In the recent years these prices have skyrocketed. In essence, the income approach forces the homeowner into a partnership with the investor or speculator, a partnership in which the homeowner can only lose. To the income approach, increases in tax rates make it incumbent on the Court when an appeal is heard to

lower its assessment, and the difference in dollars to be picked up by someone, and the someone being the owners of dwelling properties. When a speculator or investor can present a profit and loss statement showing that he's losing money, he inevitably receives a tax reduction, and if the homeowner, confirming the fact that he was out of work for months, and his assessment remains the same.

For example, Mr. "A", a speculator, purchases a group of garden apartments. He finds that he's not earning the money he anticipated. So the first thing he attacks is the assessment. The tax appeal is filed with figures showing his gross income and total expenses. The net income is capitalized, and in view of the Court the assessment is too high, the Court then orders the reduction in the assessment.

Let us further assume in this example that the total true value of these garden apartments as determined by the Court decision is three million nine hundred and eighty-six thousand six hundred dollars, being three hundred and seventy-five thousand six hundred contributed to the land, and the remainder to the improvements.

We have a tax rate of six dollars per hundred,

and we assess another fifty percent of true value. So the effective tax rate is three percent. The ultimate figure of three million nine hundred eighty-three thousand six hundred dollars is arrived from a net profit of four hundred and eighty-eight thousand five hundred and sixty dollars. It's done in the following manner: If we capitalize the three hundred and seventy-five thousand six hundred dollars contributed to the land at ten percent which is seven percent return on the value, plus the three percent as the effective tax rate, we show the income from the land at thirty-seven thousand five hundred and sixty dollars. The remaining net income of four hundred and fifty-one thousand is capitalized at twelve and a half percent, being seven percent return on the investment, three percent on the effective tax rate, and two and a half rate percent depreciation. This is producing a building value of three million six hundred eighty-eight thousand dollars, which is added to the thirty-seven sixty-five hundred land value, and sustains the Court's reasoning for determining the value through the income approach.

Now, let's suppose the following year the tax rate jumps from the six dollars per hundred to seven dollars. Our effective tax rate is now three and

a half percent instead of three. The net income of four hundred and eighty-eight thousand five hundred and sixty dollars remains the same. So we first capitalize the three hundred and seventy-five thousand six hundred dollar land value at ten and a half percent instead of ten, showing a return of thirty-nine thousand four hundred and thirty-eight instead of the thirty-seven five sixty. We subtract the thirty-nine four thirty-eight from the net income which leaves four hundred and forty-nine thousand one hundred and twenty-five dollars as income attributed to the improvements. This value capitalized at thirteen percent instead of twelve and a half, again because the effective tax rate was increased from three to three and a half percent. By doing this we find the value of the building to be three million four hundred and fifty-four thousand eight hundred dollars. Total value of land and building is now three million eight hundred dollars -- pardon me, three million eight hundred and thirty thousand four hundred dollars, instead of the three million nine eighty-three six, merely because the tax rate increased. The investor pays in taxes a hundred and thirty-four thousand sixty-four dollars instead of a hundred and thirty-nine thousand four hundred and twenty-six dollars. Through

the income approach, the investor saves approximately five thousand dollars in taxes, because the tax rate went up. The decreases in value on income properties brought about by the rate increases results in tax relief for the speculators. The loss is passed on to the homeowner, who is not permitted use the income approach.

A town knows by preparing its budget how much money it needs to operate. If investors pay hundreds of dollars in taxes, the remainder must be supplemented by the homeowner. When more money is always needed the apartment is a tax rate increase, again like a cycle, this results in a decrease for the investor, while no relief is given to the owner of private dwellings. The income approach ignores the needs of individual property owners and perpetuates discrimination.

As the situation now exists, there are three approaches to value, for one type of property owner, and two approaches for another. In my opinion, the legislature should be more closely attuned to the problems of the dwelling property owner and equalize approaches of value. The -- the constitution says that all property owners should be treated equally, but the present tax structure doesn't rely on the

statement, and I think a change should be made.

CHAIRMAN JOHNSON: Thank you. Now, perhaps you have questions, Mr. Haines.

MR. HAINES: I was very much interested in the way Mr. Schick has presented his problem, because it is one that all of us assessors are confronted with. I'm just wondering, Lou, if you do have any specific recommendations?

MR. SCHICK: Yes. I would eliminate the income approach.

MR. HAINES: How would we get by the income producing property owners, if we eliminate that?

MR. SCHICK: Well, of course, I don't know how fair it is, but if a man willingly goes into an investment, he has to take the risk. If he -- if it's profitable, well so much the better for him. But if he loses, he made -- exercised poor judgement. I should think that it's his fault, and not my fault. We can approach the values of the income property in the same manner that we approach the values of the dwelling, depreciation and sales. I don't see why the homeowner should become a partner and losers to the investor.

MR. HAINES: Thank you.

MRS. KLEIN: Mr. Schick, is this income

approach used only on apartments, or is it used --

MR. SCHICK: Commercial properties. All commercial properties.

MRS. KLEIN: How do you account for the fact when the tax rate goes up, the landlord usually asks for higher rents --

MR. SCHICK: Well, some do and some don't. Some can't because of leases. Of course, their way of combating a tax increase is by high rentals.

MRS. KLEIN: You just indicated that if you have a rate in taxes, their rate goes down.

MR. SCHICK: I said when -- we assume the tax rate went up, and the owner of the apartments did not raise the rent, he had the same income, the same expenses, this will produce a lower value to his property.

MRS. KLEIN: Do you have a copy of that statement?

MR. SCHICK: Yes.

CHAIRMAN JOHNSON: Well, it will be in the record, as well.

Any further questions?

MRS. KLEIN: No. Thank you.

MR. JOHNSON: Yes. Mr. Schick, in reference to you, and Mr. Haines, is it not a fact that any one

tax reduction is spread to all taxpayers equally?

MR. SCHICK: Well, yes. This is -- this is part of my complaint. The reduction that the investors get is spread -- is thrown on the backs of the homeowner.

MR. GUNTSCH: It's also thrown on the backs of the other businessmen. I think you should highlight that. Not just homeowners. Because, if a particular business is given a tax reduction, that additional tax burden is spread all throughout the community, including all other businesses.

MR. SCHICK: That's true. But it doesn't -- it doesn't alter the --the theme of what I am saying, even if this businessman who pays extra taxes has the income approach available to him. He, too, may have received a slight reduction. The income approach is not available to the homeowner.

MR. GUNTSCH: That's true. I understand that.

MR. SCHICK: This is what I am trying to say.

MR. GUNTSCH: Thank you.

CHAIRMAN JOHNSON: Thank you, Mr. Schick.

Next witness is Assemblyman Robert K. Haelig, Jr., of Middlesex County.

ASSEMBLYMAN HAELIG: Mr. Chairman, members of the Task Force C, my name is Robert K. Haelig, Jr. I

am a member of the New Jersey Assembly, representing District 7-A, which includes the city of New Brunswick.

And first of all, I wish to thank you, Mr. Johnson for calling this hearing in order that public officials and other citizens from the New Brunswick area might have the opportunity to be heard in connection with the local property tax question and its relationship to the issue of lieu of tax payments on state owned real property.

I also like to commend so many members of the commission for showing up today. You found a parking space which demonstrates your persistence. And most legislative hearings that I have attended, there hasn't been this many members, which every committee has been holding a hearing.

I would like to begin by offering a few general comments on the local property tax and its position in our total tax structure.

Middlesex County, and more particular, my own assembly district, qualifies rather well as a microcosm of the entire state of New Jersey.

New Brunswick is an old city with many problems which are typical of all of the older cities in New Jersey.

Piscataway, North Brunswick and South Brunswick

are rapidly expanding suburban communities.

Dunellen, Milltown and Jamesburg are small, settled towns where further expansion is not possible because of space limitations.

And Monroe, Plainsboro and Cranbury are still virtually rural in character.

And, as a general rule, the severity of problems which are encountered in each of Middlesex County's twenty-five communities is directly related to the level of the real property tax, and this factor is self perpetuating.

The greater the problems, the higher the tax which is necessary. The higher the tax, the more insoluble the problems become.

Clearly, the chief responsibility of this commission is to design a system of taxation in New Jersey which will feature substantially lower property taxes in communities where real property taxes have become virtually confiscatory.

In Middlesex County, the highest property tax burden on a \$30,000 home in 1970 was \$1,356 in Madison Township; the lowest property tax burden was \$558 in Plainsboro, a difference of \$798 or a factor of more than 245%.

A chart is attached which shows the actual

tax rates in descending order for the 25 municipalities of Middlesex County expressed as percentages of true value for 1968 through 1970.

Clearly, this enormous differential, which has very little relationship to ability to pay, is the touchstone of the major inequity in the structure of taxation in New Jersey and the source of many of our state's most perplexing problems.

I will specifically enlarge upon two aspects of the property tax question as they relate to a significant segment of the people in my district.

One aspect alludes to the enormous economic and social damage which confiscatory property taxes bring to bear upon our elderly homeowners.

I commend your particular attention to the testimony before this committee presented on April 22nd by Mr. George Tuttle, Administrative Analyst of the Board of Finance of the City of Paterson.

I endorse his suggestion that all homeowners and rentpayers aged 65 and over receive direct reimbursement for all property taxes in excess of 10% of income and I wish to emphasize that, even with the present level of property taxation, such a program would cost a maximum of \$11 million per year.

My own legislative proposal, which was

introduced in the General Assembly as Assembly Concurrent Resolution \$39 on January 13, 1970, would extend the real estate tax deduction to rentpayers at one-half the current rates for veterans and senior citizens.

There has also been considerable debate in recent years regarding the question of the state's responsibility to municipalities which have substantial tax exempt state-owned properties.

One legislator, for instance, has introduced legislation which would ultimately compensate municipalities for 37½% of the tax revenue they would receive if the tax-exempt land and improvements were on the municipal tax rolls at full assessed value.

The problem with this legislation is that it would take 15 years for full funding and that it fails to account for the simple fact that most of these municipalities do not provide any educational services for those who use the tax exempt property.

To ask the state to compensate the municipalities in accordance with the total tax rate (including school taxes) may make pleasant headlines, but the proposition is difficult to defend on a rational basis.

I have introduced legislation (Assembly Bill #1152) which would provide a more realistic response to this problem.

My bill would compensate these municipalities as a function of the combined county and local purpose tax rate, with school tax rates excluded.

Thus, New Brunswick and Piscataway Township, which provide police and fire protection for tax exempt property and which absorb costs for sanitation and road maintenance, would receive compensation based, to a significant degree, on the municipal services they provide.

The proposed legislation also recognizes that the costs of county government are increased by the existence of tax-exempt properties and the state would also pay its fair share in this regard.

It would provide additional compensation, based on 1970 local tax rates, of \$1,260,000 for New Brunswick and \$425,000 for Piscataway.

The total cost for the state, based on full funding after four years, would be \$13,500,000 annually.

Additionally, in places like Piscataway Township, consideration should be given to mandating dollar-for-dollar reimbursement in accordance with the direct and indirect cost of providing educational

facilities for the children of parents who live on state owned property like the Rutgers University campus.

In my opinion, these proposed programs have two very attractive features:

1. They can be sold to the legislature on a coherent and rational basis because the formulae reflect, to a considerable degree, the costs for the services which the municipalities actually provide to the property in question.

2. The total cost of the programs would be more in line with the fiscal capabilities of the state government than some other proposals.

The programs would also provide additional benefits for other Middlesex County communities such as Edison, North Brunswick, Woodbridge, East Brunswick and Perth Amboy.

It is my hope that when the commission reports back later this year with its recommendations for a comprehensive tax reform in New Jersey, that some consideration will be given to these remarks and recommendations.

CHAIRMAN JOHNSON: Thank you, Assemblyman Haelig. You referred to the modest cost of your proposal. The legislature has provided some selective financial relief to Trenton and to Newark, perhaps

elsewhere, I am not aware of it, if you have -- how would you dovetail what you have done, and of the cities which you propose here?

ASSEMBLYMAN HAELIG: Well --

CHAIRMAN JOHNSON: And how far is this going to ripple?

ASSEMBLYMAN HAELIG: Well, I made these proposals without taking into consideration the full context of tax reform. There would be five hundred pages of testimony instead of over five, if any of us had to go into detail on the entire reform question.

New Brunswick is getting about three hundred thousand dollars a year. This year an additional urban aid, which if my own program had been implemented this year, is about the same amount of money as they would have gotten during the first year, of twenty-five percent funding of the program. So that I think you're going to have to consider all of the contributions that the state government is now making and convert all of these contributions plus whatever equitable additional contributions have to be made to provide justice for all of the people of the state and create an entire comprehensive program. The question of tax reform is typed up in so many economic questions, some people ought to pay more,

and other people ought to pay less. Some businesses ought to pay more, and others probably ought to pay less. There ought to be some considerations given to whether or not the tax structure ought to be based more on ability to pay than upon the property tax base.

So all of these questions are significant, and I don't propose to be able to provide answers to all of them. But I think, from an economic standpoint that everybody ought to pay what he can afford to pay in terms of services.

CHAIRMAN JOHNSON: Aside from the Tuttle suggestion, with respect to rentpayers, do you have any other specific proposals as to how we could make the property tax more equitable along the lines of ability to pay?

ASSEMBLYMAN HAELIG: Well, the way to make the property tax more equitable is to reduce it where it's too high, which is a very over simplification, if I ever heard one. Obviously, if you reduce it where it's too high, you either have to cut back the services that are provided by the property tax, or you have to replace it with some other form of taxation.

Now, politicians seem to be shying away from that half of the question. And the other half is easy to pontificate about, because it involves a

reduction in taxes. The other half involves an increase in taxes.

I might say there are very few alternatives available to the commission in this respect. In order to respond to the public interest, you're going to have to convince them that you have a program that they can buy.

Now, if you're going to reduce the property tax and replace it with something else, and you recommend a graduated income tax as a foundation stone of a complete comprehensive tax reform program, I think you have a chance to sell it to the public.

CHAIRMAN JOHNSON: As I said at the outset, it's not within the purview of this Task Force to recommend any tax.

ASSEMBLYMAN HAELIG: Well, another alternative that the commission can consider is what about a property tax on a state-wide basis rather than on a municipal basis? These are alternatives I'm simply suggesting. I don't propose to endorse any of them at this time.

CHAIRMAN JOHNSON: Any questions?

MR. GUNTSCH: No.

MRS. KLEIN: Do you feel that ten percent of income that you set on property tax for people over

sixty-five -- we have had proposals -- we have had proposals that there be a limit such as that on everybody's property tax as they do in Holland, we were told. How does that sound to you? If you put that on people over sixty-five this means that other people are probably going to end up paying a lot more than ten percent of their income.

ASSEMBLYMAN HAELIG: Well, what it means is that you're going to add eleven million dollars to everybody else's taxes in the state. That's how much the program costs.

MRS. KLEIN: Would you propose that that be reimbursed from the state or spread over the rest of the property tax?

ASSEMBLYMAN HAELIG: Well, if you do propose that program on the existing tax structure and you propose to add it to the municipal tax burden, I wouldn't support it. I think as the general rule the legislature should not impose additional responsibilities on local government at this time, without also with giving them the money to meet the responsibilities. This is a complaint that local officials make all the time.

So far as the ten percent limitation on the property tax is concerned, I think that if --

if you're going to form the tax structure, the commission ought to consider placing a constitutional limitation on the level of the property tax, like -- like some other states do. I am thinking particularly of Washington, state of Washington. There is a constitutional limitation of the property tax.

CHAIRMAN JOHNSON: What is that limitation? What's the nature of that?

ASSEMBLYMAN HAELIG: The nature of that limitation is a percentage of true value, I think. And this, of course, has served to make that state tax structure more equitable than the tax structure of many other states.

CHAIRMAN JOHNSON: Any further questions?

ASSEMBLYMAN HAELIG: To force the state government to come to grips with the fiscal dilemma, one, the tax rate has reached the limitation level.

MRS. KLEIN: I understand that that kind of limitation has forced the closing of schools, because, you know, they had the constitutional limit, and that was it.

ASSEMBLYMAN HAELIG: I recall vaguely something like that. I rather doubt that the schools have been closed in Ohio all year.

MRS. KLEIN: In some towns it was closed for

quite a while.

MR. HAINES: Assemblyman, first of all, as a member of this Task Force, I am mighty glad to see a member of the legislature indigent enough in our problem to testify with us here like you have this morning. I happen to be familiar with your ACR39, as I am a member of the New Jersey State League of Municipalities Legislative Committee. We have studied your proposal together with two or three others along this line. The thing that bothers me about your proposal is the administrative machinery that would have to be set up.

Do you think that the aim of your legislation here would overcome the problems that --and the cost that would be entailed to administer a program like this, a reimbursement --

ASSEMBLYMAN HAELIG: One of the nice things about being a legislator is that we don't have to assume the responsibilities for administering the programs that we pass.

MR. HAINES: We do on the local level.

ASSEMBLYMAN HAELIG: The League of Municipalities is constantly reminding us of this fact for which we are eternally grateful. I don't know whether I can comment effectively on that. I

think there is an inequity that exist here in connection with the fact that property owners are given this exemption and rentpayers who pay property taxes indirectly through the landlord are not given this exemption. That's the problem that my legislation is directed to.

Now, if this legislation creates other problems, obviously, I would like to know about them, and, perhaps we can write some additional language into the bill to make it easier to administer.

MR. HAINES: Well, that's one of the things we are concerned about. It would be the cost to the administration.

Just one other question regarding your All52. Whether you are aware of it or not, but the accessors during the past two years have been directed to review our exempt list, and these have been put on computers. And whether you are aware, the most recent report that came off of the computer about the last list have to be submitted last year, that the amount of exempt properties as a result -- of the accessors being required to approach it from a more realistic viewpoint than we have in the past, has just been doubled in value.

Were you aware of this increase?

ASSEMBLYMAN HAELIG: I am aware insofar as my own district is concerned that there has been an enormous increase in the value of state owned properties in New Brunswick and Piscataway Township, because of the great expansion of Rutgers University. And with that expansion have come some problems which have resulted in some increases in cost for these municipalities. And this is why I think this in lieu tax question becomes more acute all the time.

MR. HAINES: My only reason in asking that question, Assemblyman, was the fact that you have estimated a figure what you think it would cost the state, and I am in favor of some legislation along this line. I don't mean to be lobbying here, but the thing is that I was wondering whether your suggested figure was as a result of this tremendous increase as it has been reflected in the latest state study?

ASSEMBLYMAN HAELIG: The fiscal note on the bill was prepared a few months ago, so that it's to the degree that they took this into consideration, and it does reflect it, but not up to the minute.

MR. HAINES: Thank you.

MRS. KLEIN: Was that for all citizens, or those with the certain income?

ASSEMBLYMAN HAELIG: He's talking about two

different questions. Eleven million dollars pays the bill for the program for senior citizens and veterans. And thirteen and a half million dollars pays the bill for the in lieu tax program that my bill promotes with full funding after four years.

CHAIRMAN JOHNSON: All right. Further questions?

Thank you.

ASSEMBLYMAN HAELIG: Thank you.

CHAIRMAN JOHNSON: Our next speaker is another member of the assembly, William E. Schluter, Mercer County.

ASSEMBLYMAN SCHLUTER: Good morning, ladies and gentlemen. I am happy to be here today to give my views on the very severe effects of the property tax on municipalities where there is a high concentration of publicly owned properties -- both land and improvements. Efforts to overcome this problem are often described as in-lieu tax payments. This particular subject does not fit any one of the four categories in your format, but rather, it involves aspects of all.

I am sure that you have studied the report of the Commission to Study the Adequacy of Existing Laws Pertaining to Taxation of State Owned Land by

Local Taxing Districts formed by Joint Resolutions in 1965, 1967, and 1969, and chaired by Assemblyman Howard Woodson. My remarks will be directed at a specific problem area, namely Ewing Township of Mercer County. My position, however, is not to be construed as being entirely parochial since the same principles apply regardless of the municipality designated.

Under present law, municipalities in New Jersey are reimbursed in a variety of ways. The "urban aid" program supplied \$500,000 for Trenton in 1971 for "services rendered". The Rutgers University budget includes \$120,000 for New Brunswick to compensate for services and/or "loss" of ratables. N.J.S.A.54:4-2.1 allows those municipalities with 9% or more of state land to bill New Jersey for payment of local taxes based on the value of the land at time of acquisition. Ewing Township, applying through the claims process, has received approximately \$25,000 per year under this statute during the last several years. In addition, the 1971 Claims Act will carry an item of approximately \$75,000 comprised of past (unpaid) claims between 1960 and 1968. The \$29,000 provided by the State in its fiscal 1972 budget represents less than 1/3 of one percent of the value of state

lands and buildings in Ewing, which property constitutes over 24% of total Township reatables.

Under other sections of state law, three Bergen County municipalities whose land area covers part of the Palisades Interstate Park are eligible to apply for taxes to cover land at full current values. And, finally, recent legislation establishing a sports complex in the Hackensack Meadowlands contemplates a State payment to East Rutherford of 10% of the total amount to be raised through taxes.

Under the present formula, funds provided Ewing Township are woefully inadequate when considering the costs sustained because of state owned land and buildings. The uniqueness of Ewing's situation results from the fact that there is a high concentration of buildings and improvements on the state land. In virtually all other cases in New Jersey where the State owns over 9% of the land area, such land is used for conservation or "open space" purposes. Major State facilities in Ewing Township are: State Home for Girls, New Jersey School for the Deaf, State Transportation Department and Shops, State Farm, New Jersey State Police, Trenton Psychiatric Hospital, Trenton State College, Delaware River Basin Commission.

Several examples will demonstrate the

inordinate cost burden of these properties.

Trenton Psychiatric Hospital has announced plans to build five new "residences", each with four bedrooms, on the grounds of the Trenton Psychiatric Hospital. The municipality will receive no property taxes for these residences. Nine new policemen have been added to Ewing's force in 1971 at an aggregate cost of \$150,000. Six of these are the direct result of traffic and law enforcement problems at Trenton State College. (The March 20, 1971 edition of the Trentonian carried a story of the extensive investigative work by a team of three Weing policemen who apprehended an undergraduate selling drugs in one of the dormitories.) Sewer costs for the entire Township in 1970 were \$265,000 more than payments received from customers. Since the State pays no property taxes even though owning 24½% of the ratables, all of this excess had to be borne by the local tax rate. The Transportation Department complex at Parkway Avenue and Lower Ferry Road excuses itself from paying any in-lieu taxes under 54:4-2.1 on the basis that such land is in the "highway, bridge or tunnel" exclusion of the statute.

The State facilities located in Ewing are established. They are not the type that can be "sold"

to private investors, leased back by the State, and thereby put in a position to carry their tax load.

Such inequities are only a few of the more major ones -- and these inequities are compounded yearly under our distorted property tax system. The tax rate in Ewing increased over 90 points in 1971 (11%) and would have been up by 150 points were it not for a local bond issue that covered many "fringe" costs. Ewing has a tax rate of approximately \$9.60 based on 50% valuation. A total of \$8,900,000 must be raised in 1971 for all purposes, including \$573,000 for the municipal budget alone.

Why is Ewing Township, a "normal" suburban community with 32,000 residents, in which dire straights? Simply stated, the State properties in Ewing do nothing to improve the economic base of the Township (except to the extent of a \$29,000 annual in-lieu payment) even though these properties comprise 24½% of the total assessed valuation, and 14% of the land area. It can be argued that state owned buildings in the City of Trenton at least attract commerce to the downtown area. This is not the case in Ewing. The State College is used by "transients", the inmates of the institutions add nothing to local trade, and most of the workers in the offices and facilities

return to their homes to do their shopping (a relative few of these homes are in Ewing.)

Trenton, with all its problems involving State buildings, has considerably less land occupied by these facilities. Moreover, only 12% of total ratables represent State property. Yet Trenton receives in 1971 \$500,000 for "in-lieu" services. New Brunswick has a high percent of its total valuation in State property (Rutgers) and it receives \$120,000 yearly plus urban aid.

My remarks have obviously sounded parochial -- because Ewing Township is in a uniquely difficult situation. This is not to assert that other municipalities in New Jersey do not have equivalent problems because of tax exempt property in one category or another. I only wish to highlight one of the severest of the problems. Perhaps the answer is in a statewide reform of the property tax system. My view is that such a reform would have to be heavily augmented by in-lieu tax payments.

Ewing is at the other end of the scale from the Teterboros with respect to the impact of property taxes. If the property tax is to play any substantial role in New Jersey's future revenue pattern, there must be adjustments where such heavy concentrations

of tax exempt property exists.

In order to alleviate the problem for Ewing, I have introduced legislation (Assembly Bill 2408) which would increase the formula payments for those municipalities which qualify under 54:4-2.1 if over 75% of the State land area is "developed". This approach involving additional compensation for "developed" land as opposed to "open space" is in line with the recommendation of the Commission studying taxation of stateowned lands.

Copies of this bill are attached. The measure was released from the Assembly Appropriations Committee and given second reading just yesterday -- May 3, 1971.

I am confident that your panel of this very auspicious Tax Policy Committee will give this situation the consideration which it so obviously deserves. Simple equity and justice demand that properties which enjoy the benefits of local services should share in the costs.

Thank you.

CHAIRMAN JOHNSON: Thank you, Assemblyman. You have said, if I understood correctly, that Ewing receives twenty-nine thousand for twenty-nine million two in ratables. Is that right?

ASSEMBLYMAN SCHLUTER: That's correct. Twenty-nine in excess of twenty-nine million at fifty percent.

CHAIRMAN JOHNSON: Now, Trenton's in lieu of payment went up from sixty thousand to a half million this year, is that right?

ASSEMBLYMAN SCHLUTER: That is correct.

CHAIRMAN JOHNSON: Trenton's state owned properties are twelve percent of the total city ratables, right?

ASSEMBLYMAN SCHLUTER: Right.

CHAIRMAN JOHNSON: What is the value of the state buildings in Trenton, state buildings? Do you know, offhand?

ASSEMBLYMAN SCHLUTER: I have that figure, Mr. Johnson, if you will give me half a minute to dig it out. It might take more than a half a minute. Maybe you can continue with your other questions.

MR. HAINES: Assembly, while you're digging up that question, first of all, I am glad to see you here, and I have had some correspondence in the past -- the thing that bothers most of the assessors, and I see a few of my assessing friends in the audience, is that the state statute that ties down the computation of in lieu payments to the cost of acquisition of state

lands. You really think that this is a fair -- a fair way to tie down these in lieu payments? Because, all the rest of the property owners throughout the state have had to absorb the increased cost of the property, and this is -- this is, in my opinion, has been a most unsavory situation.

ASSEMBLYMAN SCHLUTER: Sir, no, I do not think it's fair. I do not think it's fair on two basis. Number one, you have a different standard under this section that I related here and the section applying to the Palisades Park Commission. Number two, I think that the reason that it's based on the value of the land at time of acquisition was to counter balance other provisions in the legislation in order to get it passed.

MR. HAINES: I was glad to see that your testimony indicated you're in favor of a reform, but a complete reform of the property tax situation, of course, that what we are confronted with. And, also, I am glad to see this A-2408. You can rest assured that it's going to be considered, because I happen to come from a municipality where we have two large state institutions. Of course, we have a considerably more in land area, but I am concerned about some of these in lieu statutes. I think they need to be

updated.

If there isn't some other way, the state reimbursing the municipality for these services, that the municipalities are furnishing. Thank you.

ASSEMBLYMAN SCHLUTER: I have, incidentally, Mr. Johnson, I have that figure. I will have to give it to you in relative values, because I have two different figures on the assessed value of Ewing Township. But I have it here as being approximately ten percent more than Ewing, in the value of the ratables for the city of Trenton.

CHAIRMAN JOHNSON: Do you have the dollar value of the state buildings and land in the city?

ASSEMBLYMAN SCHLUTER: I have a figure, but a different base, it's roughly twenty-four and a half million dollars, dollar value. And I presume that is at fifty percent level.

CHAIRMAN JOHNSON: Yes. I was going to say --

ASSEMBLYMAN SCHLUTER: This -- this particular calculation was given to me by Legislative Research, and the comparable to the Ewing is two hundred twenty-two million compared to the twenty-nine which I have in these figures.

CHAIRMAN JOHNSON: So Trenton was receiving this year a half million dollars of in lieu payments on

roughly, total value of say fifty thousand dollars?

ASSEMBLYMAN SCHLUTER: Yes.

CHAIRMAN JOHNSON: All right. Mr. Mowery, do you have a question?

MR. MOWERY: One interesting note here, I see state farms have a total assessed value of a million two hundred and thirty-four thousand. But, also notice in driving through West Trenton, it does provide quite a nice buffer zone for Ewing Township. Would you agree with that, assemblyman?

ASSEMBLYMAN SCHLUTER: Yes, I do. It is a part of the land and property zoned by the Department of Institutions and Agencies that is adjacent to the State Police, and this is -- this is correct, yes. And even though this is in the Bill 2408, this would come under the definition of developed lands. I would have to admit that it is more open space than would be normally attributed.

CHAIRMAN JOHNSON: Well, some of this land is productive, is it not?

ASSEMBLYMAN SCHLUTER: Yes, it is. Yes.

CHAIRMAN JOHNSON: Are you finished?

MR. GUNTSCHE: No questions.

CHAIRMAN JOHNSON: Thank you.

ASSEMBLYMAN SCHLUTER: Thank you.

CHAIRMAN JOHNSON: Our next speaker,
Mayor Robert W. Cawley of Princeton. Is Mayor Cawley
in the room?

(No response.)

CHAIRMAN JOHNSON: Mr. John L. Burnham of
Linden.

Mr. Burnham, are you representing yourself
or an organization?

MR. BURNHAM: My interest is in this
question, as a tenant who pays very high rent,
Mr. Chairman.

CHAIRMAN JOHNSON: This is personal
testimony?

MR. BURNHAM: Yes, sir. I live in Linden.
I'm strictly an amateur on taxes, and I hope the
professionals will excuse me.

Mr. Chairman, would you allow me to say one
sentence in my presentation which is outside the
guidelines for these presentations?

CHAIRMAN JOHNSON: If you don't go beyond
that.

MR. BURNHAM: Yes, sir.

The outline of the ideas I would like to
discuss is as follows: First, the economic impact
of New Jersey Property Taxes stems essentially from

high tax rates. Secondly, measures to deal with specific problems resulting from property taxes won't work unless rates are substantially lowered, first.

Thirdly, to replace revenues lost in a property tax reduction, a general gross receipt tax is recommended, similar to the present electric utility gross receipts tax, except applying to all businesses.

Fourth, to compensate further for the unfavorable impact of property taxes, the tax base might be changed from assessed valuation to combination of dwelling units and land acreage, with no consideration of dollar value.

The first point, the economic impact of New Jersey property taxes stems essentially from high tax rates. Any tax that goes sky-high will have an economic impact, and probably an unfavorable one introducing distortions and inefficiencies into the affected economy. Federal income taxes are one example; New Jersey property taxes are another.

Two examples of unfavorable property tax impact are -

(a) The unregulated subsidizing of households well below the economic median. With the

increasing importance of government services and subsidies at all levels, this characteristic changes the ball game completely from what it was when assessed valuation taxes were originally worked out. In Linden, for example, municipal and county services will cost about \$20 million dollars in 1971, or roughly \$500 dollars per inhabitant. Suppose a below-median family of 5 is living in a \$75 a month apartment; their contribution to the general municipal and county revenues such as through licenses and fees will probably be negligible; their indirect contribution to tax revenues through rent payment will amount to about \$200, but there is no reason to expect their drain on the city treasury will be any less than average. Therefore, the city is subsidizing this sample family in the amount of \$2500 less \$200, or \$2,300 a year.

While in Linden an unusually high value industrial tax base eases the subsidizing squeeze, in more typical municipalities this \$2,300 subsidy comes largely from the pockets of near - and above - median taxpayers principally in smaller households.

(b) A second effect of high property taxes is to discourage the building of high-density housing for families. This effect comes in the form

of over-restriction, over-regulation, and nit-picking zoning; it is associated with high rents and general stagnation. The tendency to discourage needed housing is based largely on the fear of overloading school systems which will require still greater property taxes to expand.

Thus parents enacting housing restrictions force their grown children to leave the community to find an economical place to live. Farmland-devouring suburbs continue to expand in order to house young families escaping the stagnated municipalities. Transportation problems are multiplied.

Unregulated subsidies and over restricted housing are two examples of the unfavorable impact of high property taxes. The Committee is no doubt aware of many others.

2. Measures to deal with specific problems resulting from property taxes won't work unless rates are substantially lowered first. To put it another way, if property taxes were very low, their impact would be negligible; moreover, I believe whatever changes are made in collecting these taxes, at best only new problems will replace the present ones unless overall tax rates are, on the average, reduced to one-half or less their present amount.

3. To replace revenues lost in a property

tax reduction a General Gross Receipts tax is recommended, similar to the present electric unility Gross Receipts Tax except applying to all businesses. The tax would be collected by the State of New Jersey and distributed to municipalities. Financial institutions would ante in along with manufacturers, wholesalers, retailers and services.

To briefly mention some advantages of this tax, it could replace the State Sales Tax, since its effect on retail sales would be the same, but its administration would be much simpler. It could also possibly replace the Corporation Business Tax, Corporate Net Income Tax, State Business Personal Property Tax, Retail Gross Receipts Tax, and Unincorporated Business Tax. In fact, the sum of all these taxes amounts roughly to a General Gross Receipts Tax in any case. It would forestall enactment of any more of the relatively inefficient and unpopular local city sales taxes. Most important, it would provide a fully adequate, straightforward replacement for local property tax revenue.

4. To compensate further for the unfavorable impact of property taxes, the tax base might be changed from assessed valuation to a combination of dwelling units and land acreage, with no consideration of dollar

value. The proposal amounts to a flat-rate tax system, wherein each dwelling unit would be subject to a yearly charge uniform throughout a municipality; each acre of land would also be taxed the same as every other acre. The proportion of tax revenue derived from dwelling units, as compared with that from land, would be decided locally.

The general advantage of this proposal is that the taxes will be collected more in accordance with how they are spent, but will on a broad enough base not to cause undue hardship in most cases. Getting back to the two disadvantages of present property taxes mentioned earlier, the flat-rate dwelling unit and land taxes will deal with them as follows -

(a) Unregulated subsidies: a flat-rate dwelling unit tax of any fiscal importance would force the problem of hidden, unregulated subsidies out into the open, where some positive public decisions could be made about them. At a tax rate of \$300 per dwelling-unit per year, for instance, landlords renting units for presently \$60 a month would have to raise the rent to roughly \$75 to foot the extra tax bill on lower-value residential property. An average increase of 25% in lower-income housing rentals will

probably cause pressure for legislated rent subsidies. This process might appear to be taking money out of one pocket (subsidies) to put it in another (taxes) - but it would have the important advantage of being an explicit decision to support people in a certain economic category, as compared to the unplanned and frustrating drift into the present subsidizing situation.

(b) Next, how the flat-rate dwelling unit tax could alleviate over-restriction of housing construction: if the dwelling-unit tax paid most of the entire school bill for a municipality perhaps the greatest obstacle to new housing would be removed. Each new dwelling unit, whether in high - or low-density or -income housing would produce a uniform, predictable addition to tax revenues. It would only be necessary to insure housing construction was approximately balanced between various income and age groups, to insure adequate revenues for schools.

In conclusion, let me re-emphasize that in all probability no proposal to reform New Jersey property tax will be successful unless rates are reduced to one-half or less of their present amount on the average. Since a corresponding reduction of expenditures appears politically unfeasible, it will be necessary to derive the

replacement revenue from another source, such as the General Gross Receipts Tax I recommended.

Mr. Chairman, thank you for allowing me to appear before this committee.

CHAIRMAN JOHNSON: Thank you, Mr. Burnham. Now, do we have questions?

MR. HAINES: My only question, sir, is, are you familiar how the present rates are computed?

MR. BURNHAM: As I understand it, they're based on a certain percentage of the assessed market valuation, true valuation, typically fifty percent. And then the tax rate is established locally to be a certain number of dollars per hundred dollars of that percentage in valuation. Is that right?

MR. HAINES: Not exactly right, but, thank you.

MR. MOWERY: No questions.

MRS. KLEIN: No.

MR. GUNTSCHE: Yes, I have a question. I wonder why you, as a replacement tax have selected the General Gross Receipts Tax?

MR. BURNHAM: There are a great number of state administered taxes on businesses, for instance, the sales tax, the corporate business tax, corporate net income tax, state business, personal property tax,

retail gross receipt tax and unincorporated business tax, which practically amount to general gross receipts tax as it is, sir. In using the dwelling unit and land acreage flat rate system, a general gross receipts tax would allow you to derive income from industries you would lose when you abandon the assessed valuation. That's another reason. Did I make that clear?

MR. GUNTSCH: No. No, not really.

MR. BURNHAM: In Linden, for instance, which is an unusual case, about seventy-five percent of the tax revenues are derived from industry. Now, under a typical setup using a flat rate dwelling unit and land acreage tax, only thirty-five or forty percent of the municipal revenues would come from the local industry, see. If local industry were taxed in the same way, the local electric utilities are in Linden, that is to say taxed by the state, and the returns distributed to the city --

CHAIRMAN JOHNSON: Will you keep this brief, because we are wondering --

MR. BURNHAM: Yes. I'm sorry. He will get this revenue back from local industry.

CHAIRMAN JOHNSON: Thank you.

MR. BURNHAM: I'm sorry.

CHAIRMAN JOHNSON: Allright.

A SPEAKER: If one is not on the agenda, will they have an opportunity to speak?

CHAIRMAN JOHNSON: Yes. We are calling the witnesses in order which they have registered, and if you have not registered and if you do so now, we will be glad to call you. You can register with Mr. Dyke, please.

Our next witness is Mr. William Richardson, Raritan Valley Regional Chamber of Commerce.

MR. RICHARDSON: Mr. Chairman, ladies and gentlemen of the Task Force C Public Hearing, my name is William M. Richardson, President of the Raritan Valley Regional Chamber of Commerce. I thought it was important that I express our support for particularly in lieu of tax payments and add our support to that as voiced by other municipal officials and legislatures that have appeared and will appear here today. I would ask the indulgence of the committee, since I am not an expert in these tax matters that I would not submit to questioning following my brief statement.

CHAIRMAN JOHNSON: You prefer not to be questioned?

MR. RICHARDSON: I would.

CHAIRMAN JOHNSON: All right.

MR. RICHARDSON: I don't believe that I have to impress upon you gentlemen the urgent need for local property tax reform in New Jersey.

In fiscal 1969, New Jersey ranked second among the fifty states in the per capita levy of \$226.68 in property taxes. Property taxes levied for education in New Jersey totaled \$1.1 billion in 1970 or almost three times that raised in 1960.

Most of us are in agreement that the local property tax system is in need of reform in order to provide a more equitable way of taxing our homeowners, particularly those who are living on a fixed income or are in the lower socioeconomic bracket.

We will, in all probability, find a divergent opinion in the manner of effecting that reform through other means of taxation in order to provide the necessary governmental services.

I'm not here to speak to that or to necessarily offer solutions. There are many better equipped than I who can address themselves to the ultimate solution.

I would, however, like to call your attention to those communities like New Brunswick who not only share the local property tax burden of all New Jersey

communities but who have that burden weighted more heavily because of tax exempt state owned buildings and land located within their boundaries.

Our state university, Rutgers, provides educational opportunities for all of our States citizens but at the same time consumes almost one-third of the land area of the City of New Brunswick.

We're both proud and pleased to be the home of the University yet at the same time we must take cognizance of the financial plight of an older city like New Brunswick.

The City of New Brunswick provides the university with police and fire protection and absorbs other costs such as sanitation and road maintenance well in excess of the current reimbursement of those services. In addition New Brunswick's share of the cost of county government is increased by the very existence of the University's tax exempt property.

Legislation to provide payments to municipalities, like New Brunswick and Piscataway, in-lieu-of taxes for state owned properties has been introduced in various forms by Senator Norman Tanzman, Assemblyman Robert Haelig and Assemblyman Peter Garibaldi.

Senator Tanzman's Bill S-288 provides that

that all state owned land except those held for highway, bridge or tunnel purposes shall be taxed in the municipality where the lands and improvements are located, for municipal, county and local school purposes. Assessment to be at 75% of the level at which all other lands and improvements are assessed but during the first 5 years the per cent is to be 50% and during the next 5 years 60%.

Assemblyman Haelig's Bill A-1152 differs in that it would exclude school taxes and cover compensation for only services actually provided by the municipality such as sanitation, road maintenance, police and fire protection.

Assemblyman Garibaldi's Bill A-1057 differs in the method of arriving at the formula. The Tanzman Bill treats all municipalities wherein state lands are situated the same. The Garibaldi Bill includes an escalation clause taking into consideration tax rates and reflected need of revenue. Mr. Garibaldi estimates that his Bill would cost the state approximately ten million dollars per year less than the Tanzman method.

While the Chamber of Commerce agrees with the concept of all three proposals, we have endorsed the legislation advanced by Assemblyman Haelig as being

more equitable.

At the same time, we would hope that if meaningful local property tax reform is forthcoming immediately that it encompass provision for payment in lieu of taxes to municipalities for state owned property.

Thank you for allowing me the opportunity of presenting the views of the Raritan Valley Regional Chamber of Commerce at this hearing.

CHAIRMAN JOHNSON: Thank you, Mr. Richardson.

MR. RICHARDSON: Thank you.

CHAIRMAN JOHNSON: Next speaker is Mayor Donald Olsen of Perth Amboy.

MR. DYKE: Mayor Olsen had to leave, but he submitted a statement.

CHAIRMAN JOHNSON: He submitted a statement. Okay.

Mr. John Pasiecznik.

Is Mr. Pasiecznik in the room?

MR. PASIECZNIK: Yes.

CHAIRMAN JOHNSON: Is this personal testimony?

MR. PASIECZNIK: Yes, it is, Mr. Chairman.

Mr. Chairman, members of the Task Force C, members of the assembly and governing body and fellow

taxpayers, before I proceed, I would like to submit some of my qualifications.

I have completed all of the tax accessors courses at Rutgers, I am a licensed tax accessor, I also have completed the course in real estate at Rutgers, I have also -- I also have a license in real estate and sales. I have also attended American Institute courses as their qualification exam.

This matter of taxation is very dear to my heart, and it's affecting the entire country, not only New Jersey. Many of you people probably are aware of this booklet put out by the New Jersey Taxpayers Association, and I would like to quote from one section here: "The expenditures per pupil where I live, in the community is spending nine hundred and fifteen dollars per pupil, whereas a neighboring community of Kenilworth of five six five, which could also include other counties like Newark, and Essex County, and also make comparisons of southern New Jersey. This, it is quite apparent that there is a great disparity in the cost and quality of education. These are synonymous.

CHAIRMAN JOHNSON: You're going to relate that to the property tax?

MR. PASIECZNIK: What's that?

CHAIRMAN JOHNSON: You're going to relate that to the property tax?

MR. PASIECZNIK: Right. First of all, the present system is not functioning, and I have a good example in my own community. As you probably are aware, there are -- the state puts out graph lists which are usable sales for determining the ratios. Well, a few years ago, I got deeply involved in this matter and decided to investigate why after reevaluation suddenly a ratio dropped and got penalized. And in checking it over, I called the State House, Mr. Glasier, Acting Director at the time, and found that by examining the ratios of vacant land, residential, farm and industrial, it was only one sale in the commercial zone. But in the way the state calculates these ratios, they lump in the industry, which knocked our ratio, instead of being up to fifty, it was down to twenty-four. The accessor apparently not being on the job, wasn't aware that he had to fill the SR6 form to disqualify the sale or investigate the sale, and apparently it wasn't investigated. That error has costed our taxpayers and home owners over a half million dollars. That's quite a shelacking and it was needless. It was

something that should have never occurred. In fact, I have copies from the -- what they call the SR3A forms which show these statistics for two consecutive years, and nobody apparently worried about it.

As you probably read, Newark is now carrying the highest tax burden of the whole United States. If we intend, and I hope this is not proposed, although some mention has been made of it, of a state income tax, it will kill many communities. I believe the governor of Michigan, Governor Mulligan has proposed a commendable approach to this problem, and that is, let the state take over the distribution and control of costs for education. The bond of indebtedness, and if you look at these figures again, in this book, of the various towns, particularly the older towns, it's fantastic.

It's not only school indebtedness, it's municipal indebtedness, costs for urban renewal, which admittedly will recoup someday, hopefully. Someday, it's been dismal failure. And, yet, there's no solution being offered to correct these inequities.

I have also -- I would like also to recommend that the Task Force request that the variety of county ratios be abolished. It only confuses the taxpayer.

Initially, there was court cases and hearings and task forces which permitted each county to go on an individual basis from ten percent to a hundred percent. This is -- serves no function except it's confusing the taxpayer. It makes this thing a big hocus-pocus. It should be straight forward a hundred percent everybody, industry and so forth.

And one other recommendation I would like to make, and that is a very serious recommendation, is the revision of the reasons for a non-usable sales that the tax board -- for the Tax Commission Trenton permits. There's a lot of clever legal dodges that are in these lists, and I am familiar with them, because in some cases, right in my own municipality, a piece of property, vacant land is owned, it turns around, and through manuevers makes a quick deal on it, disqualifies the sales so nobody knows what happened, as to why it was assessed so low. Why it sold for many times beyond what it was on the assessment books. Also, corporations like in one case I know, in my municipality, sells land to a potential industrial firm. The firm builds a building, and then they lease it back to the same company, and this again doesn't appear on the books, because it's

a nonusable sale. It's on the books so far what the assessment was, and what was theoretically paid, but to really get down to the nitty-gritty and come up with a figure, it's impossible.

Also, I feel that this state is not doing a proper function, I don't mean the local patrol boards, like county tax boards, but I am referring to judicial systems, where abnormal sums are awarded for lands, and then for highway use and other public uses. This is penalizing our taxpayers. I know in one particular case the land that was condemned for highway purposes, where I live, in fact, a hundred foot from my home, land value that sold to the state was six times what it was on the tax bill. This is a fantastic differential, and either the accessor hasn't been doing the job properly, or we're paying a premium. And I believe California has very rigid laws where the state appoints various individuals that are qualified to make appraisals, and then render it on the basis of what the values are rather than on some fantastic high level.

I do have a series of questions. The first question is: Why is the telephone industry exempt from paying New Jersey sales tax?

CHAIRMAN JOHNSON: That's outside the purview

of this Task Force.

MR. PASIECZNIK: All right. Why isn't vacant land accessed at full true value? I mean, market value? In my community, industrial land is accessed eighteen percent lower per acre than residential. And, frankly, it should be even higher than residential. This is quite a disparity. I also feel that -- that the state aid -- school aid based on ratios, instead of a more equitable method should be instituted. And in addition, I would also recommend that some legislation be posed for the county tax appeal board be appointed on state license qualifications, rather than on political consideration. Some of these men have absolutely no background in this business. They are appointed primarily for political consideration. They should be required to pass the state license per accessor, just like the local accessors are acquired to do.

CHAIRMAN JOHNSON: Thank you. As you know, your time as run out. We may have questions.

MR. PASIECZNIK: Okay.

MR. HAINES: Sir, I just like to inform the witness that last week at the Newark Hearing, I announced that all but six counties in the state are now accessing at a hundred percent. Well, based on

the latest information that just came out, I believe it's been reduced to all but two, Somerset County --

A SPEAKER: Not yet.

MR. HAINES: And Middlesex County. The only counties in the State that aren't assessing --

MR. PASIECZNIK: Happy to hear that.

MR. HAINES: And, sir, vacant land is one of the hardest categories to assess in the state. And if you can give me a formula where I can keep up to vacant land values, I will be very happy to receive it. Because, we are attempting to receive it at the same ratio.

MR. PASIECZNIK: Well, I can show you specific examples --

MR. HAINES: There might be --

MR. PASIECZNIK: Where you have real estate values, and you don't use the resale valuation. And you're in derelict -- you're being in dereliction -- the only penalty he faces is if he fails to file a tax role, it doesn't have to be an accurate tax role by January 10. Is that correct? He can't be removed from office, even -- after he's got tenure, as long as he files a form, whether it's inaccurate or even half the value, such as -- we have to, up in Peterboro, you can't remove him from office, is that

correct?

MR. HAINES: That's your opinion.

MR. PASIECZNIK: That's the law.

CHAIRMAN JOHNSON: Any other questions?

MR. GUNTSCH: No.

CHAIRMAN JOHNSON: Thank you.

We are going to have a five minute recess.

(At which time there was a short recess.)

CHAIRMAN JOHNSON: The hearing will come to order.

Our next witness is Mr. William Schlechtweg, Coordinating Committee to Save Open Space.

MR. SCHLECHTWEG: Mr. Chairman, members of Task Force C of the New Jersey Tax Policy Committee.

My name is William Schlechtweg, and I am a master of the State Grange, and also a fruit grower by profession down in Monmouth County. I appear before you today as Vice President of a private, nonprofit association, the Coordinating Committee to Save Open Spaces in New Jersey, Inc. The organization is governed by a 22-member Board of Trustees who are representative of broad interests in agriculture, agribusiness and other groups and agencies interested in the preservation of agriculture and open space in New Jersey. The Committee was

initially organized in 1963. Its purpose, then and now, was to conduct research and disseminate facts and information on the importance of preserving open spaces in New Jersey and to encourage public policies to foster the continuance of agriculture as a primary open space user and open space contributor to our Garden State.

The Committee's first major effort was directed in support of the New Jersey Farmland Assessment program. Our support and continuing interest of this essential public policy, on behalf of agriculture and open space in New Jersey provides the major basis for my presentation today. Thus my remarks will be directed to the economic impact of the property tax on agriculture and to the New Jersey Farmland Assessment program.

One further introductory item. My presentation to you is a summary of more complete information which I have and will supply to you for your consideration in conformance with your hearing rules.

Agriculture and Local Property Taxation Prior to 1964

During the 1950's and early 1960's, agriculture was under ever intensifying; the increase in population; the unending demand for new and expanded public services; the lack of substantial State assistance

to local government; the sporadic increase in real and speculative land values, all contributed to this pressure. Agriculture, dependent on the land for its production ability, was being sorely affected. Not only the individual farmland owners, but the industry of agriculture itself was being challenged and shaken.

Three studies conducted during the early 1960's clearly revealed the impact of local property taxation on agriculture.

Land use studies of several municipalities undergoing various degrees of suburbanization showed a "bowwave" of vacant land being created, largely from agricultural land, in the forefront of development. In several instances this vacancy represented 10 to 20 percent of the land in the municipality. Thus a large amount of land was becoming unproductive, eroded and unattractive.

From 1950 to 1960, 10,000 or approximately 40 percent of New Jersey farms had disappeared. During this period, about 400,000 acres or 23 percent of New Jersey's agricultural land resources had been removed from production.

Taxes per acre of farmland were the highest in the United States and had doubled from 1954 to 1960. On a per farm basis, property taxes had increased

nearly 4 fold from 1950 to 1960. On many individual farms, local property taxes were greater than net farm income. Thus, agricultural incomes were being consumed and overwhelmed by high property assessments and taxes.

A study of several municipalities examined the relationship between municipal revenue and costs associated with agriculture. The results of this sample study showed that farms pay in property tax a much greater percentage of the total levy than the cost of local and school services that were attributable to them. This relationship became even more pronounced in those townships that were affected by suburban growth. Thus, agriculture more than paid its way for services and would do so even where land was assessed for farm purposes.

The Farmland Assessment Program

Recognizing the agonizing problem imposed on agriculture by the local property tax, especially when assessments were dramatically lifted in keeping with legal requirements, the Legislature and the Governor approved legislation, in 1963, providing for a constitutional amendment, to be placed on the ballot, which would provide for the assessment of qualified farmland on the basis of its productivity value in

agriculture. The question was overwhelmingly approved by a vote of nearly 3-1 in the November 1963 election. Implementing legislation was approved in 1964 and so the farmland assessment program came into being.

Basically, the program provides that land actively devoted to agricultural or horticultural use; not less than 5 acres in area; so devoted for the prior two years; on application to the local assessor shall for local tax purposes be valued on the basis of its value for agricultural or horticultural use.

Further, to protect the community interest, the program includes a requirement that if land which has secured this benefit undergoes a change in use, a three year "rollback" of taxes shall be due the municipality.

It should be pointed out here, that the farm dwelling, homesite and all farm buildings are assessed in the same manner as all other real property in the community.

Interest in and Effects of the Program

Participation in the farmland assessment program has increased since its inception for the 1965 tax year. For 1970, approximately 760,000 acres of qualified land actively devoted to agricultural

or horticultural use were scheduled to be assessed under the program. Stabilized assessments, at agricultural land values, is now one of the primary foundations of our New Jersey agriculture.

Of particular interest is a newly released Rutgers, College of Agriculture and Environmental Science study entitled "Implementation and Early Effects of the New Jersey Farmland Assessment Program". I commend it to your attention. Briefly, it points out that the great bulk of agricultural landowners are large enough to be generally termed bona fide farm operators; that recent land purchases had not been made by many program participants which would indicate an objective of prospective short-term gains; that the program was a positive force enabling participants to continue in agriculture; that additional investments in agriculture were being made by participants and that the program was observed to have brought land back into agricultural production as well as being successful in slowing the rate of withdrawal of land from agriculture.

There remains, however, a continuing problem of agriculture with the local property tax. Though the problem of volatile assessments related to agricultural land has been successfully resolved,

the annual escalation of the tax rate continues to exact its toll of sweat and tears.

As reported by the United States Department of Agriculture, New Jersey farmers continue to pay the highest taxes per acre of farmland in the United States. In 1969, the amount was \$18.87 per acre. On a per farm basis local property taxes for 1969 were \$2,415 which represented something over 24 per cent of net farm income. Public service costs reflected through the local property tax remains an ever present problem to our agriculture.

In summary, I have briefly reviewed the New Jersey farmland assessment program; a program vital to an agriculture which provides numerous direct and indirect benefits to the Garden State. The program is now making its contribution as one of the public policies essential to a balanced, diverse and environmentally attractive New Jersey. This fact has been recognized elsewhere for approximately 30 of our sister states have enacted or are considering farmland assessment programs; many of which are modeled on the New Jersey program.

A further recognition of the contribution to our State by the farmland assessment program is gleaned from the recent report of the New Jersey Commission

on Open Space Policy. I quote -- "The farmland assessment program has moderated some of the tax pressure on farming. By requiring assessors to value a farmer's land according to the way he actually uses it, rather than at its speculative value for development. There have been some procedural problems, to be sure, and farmland assessment by itself cannot stave off development if the pressures become too intense. But the program has bought valuable time. We believe it should be continued and strengthened".

The issue of the local property tax remains as a lingering problem to agriculture because of the continuing heavy reliance that is placed on it. This emphasis must be mitigated.

I thank you for the opportunity to appear before you and wish you well in your further deliberations.

CHAIRMAN JOHNSON: Are there questions?

MR. HAINES: I just have a couple of questions. Do you have any specific recommendations as to how you think the present program might be up-dated or modernized or anything?

MR. SCHLECHTWEG: Well, let me say this, sir. I do feel that the present program is working quite well. No, I don't have any specific

recommendations. I felt in coming here today, I wanted to bring before this Task Force Committee the fact that we feel that it is doing the job it was set up to do.

CHAIRMAN JOHNSON: You say the Farmland Tax Act, however, is only slowing down. Is it perceptively slowing down the disappearance of the farmland?

MR. SCHLECHTWEG: I would say, yes. I think our records will show that it has slowed down probably fifty percent of the sales. In other words, the fifty percent of what it was, just before enacted.

CHAIRMAN JOHNSON: And pursuing Mr. Haines line of testimony, you have no notion at the moment as to how that might be further slowed?

MR. SCHLECHTWEG: No more than if we continue the farmland act as it is. If it's continued to work under that act.

CHAIRMAN JOHNSON: Thank you. Oh, excuse me. Were you finished?

MR. HAINES: No. I see several friends of this Farmland Act in the audience, and we have worked together a number of years, and we have been working on some studies. The only thing we're concerned about is whether you had any specific recommendations about

the five hundred dollar figure, because that is one that we are concerned about in view of the present economic situation, whether it should be increased?

MR. Chairman, I see a hand in the audience from the Farm Bureau, perhaps he might have some comments, with your permission.

CHAIRMAN JOHNSON: I'm sorry. I am well aware of Mr. Field's expertise, but he's not a registered witness. If he does care to register and testify formally, otherwise, Mr. Fields, we open it up to everybody, and we --

MR. FIELDS: We do have an answer. I will talk to him later.

MRS. KLEIN: I am glad you testified, because I think this is the first testimony in the Farmland Act. I wanted to ask, but -- we have had some testimony indicating abuses of this act by people who are really not farmers, but using it in a speculative way. Do you have any suggestions, or your organizations have any suggestions, for changes that would stop those abuses?

MR. SCHLECHTWEG: Madam, we have given it some thought. The problem, of course, that arises is, we are hoping to keep open spaces. And it is open spaces, even though it may be purchased by a

speculator, and if he keeps it as open space, he keeps paying taxes on it. It certainly is available for the environment to enjoy while he holds it that way. And if he changes it, changes the use, naturally, using to pay his taxes as a roll-back --

MRS. KLEIN: Three years from now.

MR. SCHLECHTWEG: Right.

MRS. KLEIN: There has been some recommendation that there be some kind of a capital gains tax on sales of real estate to compensate for this. Has your organization considered that at all?

MR. SCHLECHTWEG: I might go along with that, in your thinking, if it was a speculator. Now, if you're talking about speculator buying land for capital gains, I can see it. If a farmer held that particular land, and if he was fortunate enough at the end of a number of years to have a fairly good price realized for it, I feel that he didn't do it for capital gains, particularly. I think he done it to farm it and maybe he had many years when he didn't make a penny in agriculture. ^And, we have had that. It's a question of where you would want to put it.

MRS. KLEIN: It's not a legitimate question, because it's outside the property tax areas, as I am sure Mr. Johnson will tell me. I would like to recommend

that your organization maybe think about these abuses, and incline people unfavorably towards the Farmland Assessment Act, and perhaps come forth with some proposals that would take care of those problems.

MR. SCHLECHTWEG: We will give it more consideration, I assure you.

CHAIRMAN JOHNSON: In an earlier hearing, a witness expressing concern about the shrinking open space, urger our consideration of the British system which she described in brief and as follows:

The Commission presumably surveys the country and/or the area involved and designates certain land as prime farmland. That then becomes prime farmland in perpetuity and can never be used for another purpose. Other apparently second class farmland is so designated, and a ten year roll-back imposed.

Now, are you familiar with that system?

MR. SCHLECHTWEG: I am not, sir.

CHAIRMAN JOHNSON: That's my recollection of the testimony, and I wonder if you might have any comments?

MR. SCHLECHTWEG: You see, I started out saying I was a fruit grower, sir, number one farm land in some respects may be considered for, well, pototoe growing and so forth. We may take on what we call a

number two farmland and may, fruit growing, and so again, it has its respects according to what it's used for. Another reason we must look at it in a broad spectrum.

CHAIRMAN JOHNSON: How would you view the government's imposition of characterizing the land in perpetuity, never to be used for another purpose?

MR. SCHLECHTWEG: Well, it kind of ties your hands, when you get to be a man of my age, and say, maybe we will not have another farm, and follow in my footsteps. Then what happens?

CHAIRMAN JOHNSON: Well, contrary wise, we are not going to have anymore land, are we, then we have now?

MR. SCHLECHTWEG: Right.

MR. MOWERY: I think I had some responsibility in Mr. Schlechtweg's appearing here today at the meeting, and I did request his farm organization to appear, because there has been testimony presented, criticizing the Farmland Assessment.

I happen to be the only farmer on Governor Cahill's Tax Study Commission, which I am quite honored. But I would like to point out here a situation, my own particular situation. Apparently, I am not on a Farmland Assessment, I am eligible, I have not taken

advantage of it, because I am no longer farming. I had hoped to subdivide my land, and I am finding out I cannot even do that. So I don't know where I go from here.

We are hearing criticism, because the large zoning that we have in our rural township, in my township, we are zoned minimum one acre. I am finding out that I can't even sell a one acre lot to build a house on, because the state sets a minimum for the septic systems. And we are -- we are -- maybe I am going to have to go back to farming my land, because right now, I don't know what to do with it. But we are -- the State is setting minimum standards for percolation, and there's very few areas that will even come under that. I am only pointing that, Mr. Chairman, I don't know whether it has any bearing on the tax, but I think it has, because the rural areas, the communities are being criticized severely at the State level because they are zoning out housing, and yet the State is compelling us to zone out housing.

Now, we are wasting land which really, some areas are zoning even five acres, and the point is this, that if you have no perc on five acres, you can't -- still can't build, no matter how big the acreage is. But I don't know what the answer is.

But I would like to point this out, there seems to be so much misunderstanding of the intent and purpose of the Farmland Assessment. As I interpret it, it was not to keep farmers on the farm. It was to keep open space. And I think this is where the -- would you like to expand on that a little bit? Really the intent of the farmland -- was it intended to keep farmers farming the land?

MR. SCHLECHTWEG: Well, let me say, I think as we studied it in the group, we came up with the two thoughts. And one was to keep open spaces, naturally. Naturally we wanted to keep this for everyone, the public in general. And by keeping open spaces, and we were keeping it in a method whereby it was paying taxes. This is another thing. When you go to some other acquisitions of land for the public use, you know that the taxation has -- is lost to the community. And so, the rest of the community suffers. So this was the other point.

Now, -- yes, I think that it was a way to keep agriculture in the State, because without it, agriculture was certainly going out. There is no question in my mind. When our taxation today is about twenty-four percent of the gross receipts on the farm that we are being squeezed even in the Farmland Assessment,

we could never stay under the old method.

CHAIRMAN JOHNSON: Any further questions?

MR. GUNTSCH: Yes. Mr. Schlechtweg, in one of your schedules back here, I think you should indicate that in 1960 there were one million four hundred thousand acres of farmland.

MR. SCHLECHTWEG: I believe that is right, sir.

MR. GUNTSCH: Now, over ten years, it's now 1970, you refer in your discussions today in 1970 acreage would be something like seven hundred and sixty thousand. So in that period of time, we have lost fifty percent of the acreage.

MR. SCHLECHTWEG: Is that 1960 or 1950, sir?

MR. GUNTSCH: 1960.

MR. SCHLECHTWEG: 1960?

MR. GUNTSCH: Yes.

MR. SCHLECHTWEG: Probably lost that since 1950.

MR. GUNTSCH: You lost fifty percent since 1950. Do you have any idea how much acreage was available for farmland in 1964?

MR. SCHLECHTWEG: There may be another table further back that will pick it up. I believe there is.

MR. GUNTSCH: Oh, yes. One million fifty-six.

MR. SCHLECHTWEG: Yes.

MR. GUNTSCH: Would you -- would your organization consider extending your roll-back period, increasing it?

MR. SCHLECHTWEG: Well, sir, I would say this, that I think for the roll-back under the -- I think they use then the valuation, that is the overall valuation with the roll-back to it, if it keeps a farmer in there -- in there continuously for a great number of years, maybe it might be considered. However, I think on a short period of time, the benefits would naturally be wiped out. That would be my thinking.

MR. GUNTSCH: The reason I brought this out, between 1964 and '70, we have lost five hundred -- a half a million acres of farmland, and during the period 1940 through 1960, twenty year period, we lost a half million acres of farmland.

MR. SCHLECHTWEG: I am afraid that my own thinking, sir, would be this; if we stepped that roll-back to a greater period of time, then I think we are again going to see a sale of farms, which I hope we do not see, to get under the dead line. But I am afraid it will very well happen. So I would rather say we would be in the best position to keep agriculture by keeping the three year roll-back.

MR. GUNTSCH: Thank you.

CHAIRMAN JOHNSON: Thank you, sir.

MRS. KLEIN: Could I just ask one more question? On the size of farms, I notice that the average size of the farm has changed from eighty-nine to a hundred and twenty-two acres. That is an average. Would you say that in general what we are losing is large farms, small farms?

MR. SCHLECHTWEG: No, I would say we are probably losing the small farmer, which is probably very inefficient, because of the gross amount of receipts from that small farm. Now, when we think of small farms, remember that the chicken business has suffered, the egg business has suffered, and they consisted of many small farms. Now, I might say that most of these small farms were taken up by other farms right in their locality. So you will see there is a slight gain in acreage on some farms.

MRS. KLEIN: It's a little hard to judge the figures. It goes from thirteen hundred dollar property tax to twenty-four hundred dollars property tax per farm. But I really can't tell how much of that, because of increased size of farms --

MR. SCHLECHTWEG: This is not, as it is of the increased tax rate, not so much as the size of

the farm. I have a tax bill for 1941 of three hundred and forty-five dollars. I had a tax bill for 1970 of five thousand and six hundred. So, you see what's happened.

MRS. KLEIN: How many years?

MR. SCHLECHTWEG: That was '41. That was my first tax bill.

MRS. KLEIN: Oh,

CHAIRMAN JOHNSON: Thank you.

Next speaker is Frank Ingling of Frenchtown.

MR. INGLING: It's rather brief, it's on two subjects. Through the courtesy of your committee, I appeared before you --

CHAIRMAN JOHNSON: Excuse me. Are you -- is this a personal representation, or are you a representative --

MR. INGLING: I own a farm. I have been appointed, or asked by the Mayor of the town to serve on a tax study group.

CHAIRMAN JOHNSON: But this is personal testimony?

MR. INGLING: This is personal, as far as this is concerned. No involvement with groups or anything.

Through the courtesy of your committee, I

appeared before your tax committee on March 30th at Camden and spoke briefly on the subject of computing and recording farmland assessment on the municipal tax records. I resume you remember that. I again suggested that the assessor compute all farm land values, this is ratio, but I am trying to sell it, I guess. I again suggested that the assessor compute all farm land values on two levels and record the true non-farm level -- and you referred to that as the regular, didn't you?

MR. HAINES: True value.

MR. INGLING: Yes. True. It's under column six. This is on the tax books. Record the computed farm land value under column nine. And the difference between six and nine should appear on the record under column eight, representing the deduction attributable to farmland assessments. This does not suggest any changes in the assessment or the tax form. It merely is a matter of compiling -- complying with the right-to-know law, so frequently referred to under similar situations. That's just a remainder of my previous.

Number two, following a study of assessments roll-back, I would like to take this opportunity to suggest the change in this law to establish a correlation

of zoning and assessing. In connection with roll-back system, namely to expect such roll-back penalties on individual pieces of land that conforms to the local minor subdivision law. I firmly believe that conditions have changed drastically in New Jersey, since you have brought out there, since this law was enacted in 1964. With conditions of today, farm families in many areas are on the down. Parents who had -- parents with no second generation to carry on are in trouble. That's me. It was possible -- if it was possible to sell an occasional lot, it may very well prevent such land going into the hands of speculators.

The poultry farms, and that was the chief industry in our area, will eventually be replaced by industrial complex, perhaps of fifty to a hundred thousand layers on a few acres. Now, we have one facing us now. The committee is trying to pass an ordinance against it, and they're not getting very far, I guess. But I understand this huge complex is taking up farm of about thirty acres.

CHAIRMAN JOHNSON: This is for poultry products?

MR. INGLING: Egg products, yes, sir. There's been great squawks about the residential area around it,

so far, and it's a hot potatoe right now. But it's in the direction in what you were talking about before of the decrease in acreage. And my sympathy is with the small farmers that are penalized for three years back to sell a piece of land to their daughter, and that's an incident in my area. It doesn't seem fair, because these people have pinched, and can retire and retain this land and just sell an occasional lot, maybe once a year to carry them through in their expenses. That's a personal view that I have. This particular law I think needs a good going over. Assessors are evidently unhappy with it, disagree over it's terms and courts have had too many sticky cases.

Following my last appearance with your committee, I signed up to take the farm land assessment course at Rutgers, with Rutgers. It's exciting, and I may see you again. Thanks very kindly.

CHAIRMAN JOHNSON: Well, we are going to look forward to that.

MR. INGLING: Well, you will be here many more times.

CHAIRMAN JOHNSON: Well, we maynot be here, we will be elsewhere.

We may have some questions.

MR. GUNTSCH: No.

MRS. KLEIN: No.

MR. MOWERY: No.

CHAIRMAN JOHNSON: Mr. Lockward, Camp
Wyanokie Association. Would you tell us what the
association is?

MR. LOCKWARD: Well, I believe that I
explained this very shortly in my prepared remarks.

CHAIRMAN JOHNSON: Oh. Okay.

MR. LOCKWARD: My name is Donald G. Lockward.
I have lived in Caldwell, New Jersey, all my life,
where until 1960, I served for 9 years as Councilman
and 10 years as Mayor. I am a Realtor and appraiser
and conduct my own business from #744 Bloomfield Avenue,
Verona, New Jersey. I appear today as a Trustee for
Camp Wyanokie Association which is a chartered
non-profit organization owning 150 acres of native
forest land in West Milford, Passaic County.

Five couples, of which my parents were one,
purchased 123 acres in 1919 and turned it over to the
Caldwell Young Peoples Camping Association for the
perpetual use of all citizens of the Caldwell area now
comprising Caldwell, West Caldwell, North Caldwell,
Essex Fells, Roseland and Fairfield.

A dam was built creating a 5 acre lake, a

substantial log cabin, a kitchen and a dining shelter, six sleeping shacks and a camp director's cabin followed in rapid order. Organized 4 week camping programs for Boy Scouts and Girl Scouts were undertaken annually until 1930 when the depression dried up contributions which had underwritten the project.

The property was leased to the Eagle Rock Council BSA for 10 years. Unfortunately Camp Wyanokie was only used sporadically during this period and vandals took over. At the expiration of the lease not a building was left standing, the well was contaminated beyond recovery and the dam needed repair. Eagle Rock Council endeavored to purchase the property for indebtedness which had accrued plus \$1.00 for use as a base for overnight hikes from Camp Glen Grey which they owned, located some 12 or 15 miles distant.

A group of interested people, of which I was one, objected. The name of the organization was changed to Camp Wyanokie Association and new life was breathed into the organization. The local Kiwanis, Rotary and Lions Clubs and the J.C.'s were motivated to the extent that the dam was repaired, a fine driven well was installed, a large shelter with fireplace was constructed

and a simulated log cabin with concrete slab was completed for group shelter in inclement weather. The camp has been maintained primarily for primitive over-night camping with four camp sites and three lean-tos available without charge on a permit basis to all residents of the six towns.

In 1965, our taxes amounted to \$408.24. They have increased annually ever since and in 1970 came to \$2,764.88. I should add that in 1966 we purchased 26.81 acres of granite rock forest which abutted our property on the east. After almost one year of negotiations we secured this parcel for \$2400.00. We were shocked when the assessment for the following year on these 27 acres was determined to be \$11,000. Appeals to the Assessor and to the County Board have been unavailing. As an appraiser, I am appalled and indignant that an arm's length transaction is completely ignored and that an arbitrary value has been placed on land that can have no other use than as a nature preserve. It is completely isolated - over $\frac{1}{2}$ mile from any road and can be reached only by traversing our lands after crossing the dam. To reach it one must scale a rock escarpment at least 10 feet high which later develops into a cliff over 100' in height.

We have depended on membership fees, contributions from friends and Service Organizations for our basic support. An annual chicken barbecue nets \$700 or \$800. To help meet the mounting tax bills, we have leased the camp to the Lakeland YMCA for an 8-week day camp operation this summer. Even then we may not be able to clear up back taxes in time to forestall more drastic action.

For a long time I have felt that land such as ours, devoted exclusively to natural use for public benefit, deserves preferred tax treatment. The Farm Assessment Act sets a precedent and I believe provides a model that could be used. Assembly Concurrent Resolution No. 2024 points in this direction. Most of our land would be classed as either Class VII or Class VIII as shown on pages 34 and 35 of the Real Property Appraisal Manual for New Jersey Assessors, and I quote: -

"Class VII - Land not suited for cultivation but suited for grass or trees with very careful management. It has shallow soil and steep slopes that range from 26 to 60 percent.

Class VIII - Land not suited for cultivation, grazing or forestry, but is suited for wildlife or recreation or for watershed protection. It is usually very steep, rough, stony, sandy, wet or severely eroded."

Unless legislative relief is provided very quickly, many thousands of acres of land devoted to use such as ours must be disposed of and it can never be replaced. Our association commends the sponsors of SCR 2024 for their interest in preserving areas usef for nature study and recreation and urges this Commission to diligently pursue the objective of forestalling their take - over for other purposes.

Thank you very much.

At this point, Mr. Chairman, I should like to present a few other qualifications. I have served on the Tax Committee and on the Legislative Committee of the New Jersey association of Realtor Boards, having served as Chairman for each of these committees for six years, I was the director of the New Jersey Taxpayers Association. I have been interested in tax problems personally since 1940, and this has been sort of a hobby with me. My conclusion after thirty years in this business of taxes is that the real estate tax in New Jersey is an inequitable tax, because it stands on the wrong premise. I believe that our government provides that it be supported by all of its citizens based on their ability to pay.

Perhaps, at the time when the tax land tax was first inaugrated, the amount of land that a man

owned really did represent his wealth. Because, most of it was used productively, either for farming or lumbering or other similar occupations. This is no longer true. The average citizen owns a small plot of land on which his house is located. It has no productive value whatever to him. His value is measured more nearly by what he has in his safe deposit box down in the bank.

I think that you gentlemen in your studies have the opportunity at this time to really get at some of the philosophical troubles that are at the base of our tax problems, our school taxes, it seems to me, and our welfare taxes are really social taxes. And they should not be on the land based. The land does not directly benefit from either a school system or from a welfare program. It does directly benefit from police protection, from fire protection, from sewers, water, streets and so forth. And this basis, a land tax could be equitable, but when social taxes are included, it becomes extremely inequitable.

There is a proposal before the senate right now, I believe Senator Miller has just introduced a bill about which he spoke to our committee only two weeks ago, in which the state would assume the

responsibility for raising all of the money for schools, with no other alternations in the school system. His proposal further suggested that a flat real estate tax of two dollars and twenty-five cents be levied across the board, equally based on equalized valuation. So that all land would equally support the educational system. And instead of the Board of Education receiving monthly payments from the municipality as they now do, these payments would then come directly from the state.

Now, I commend the senator for his thinking, to get the -- to get the school taxes off the local base. But I would recommend that -- that a long look be taken at the proposal at this again be put up on a real estate base. It will -- it will produce greater equity in the school system, it will probably produce greater equity in the taxation we now have. But if what we have now is inequitable, this will only serve as a palliative and not a remedy. These are just some additative thoughts that I -- that I make plain at this time.

CHAIRMAN JOHNSON: All right.

MR. LOCKWARD: Thank you, very much.

CHAIRMAN JOHNSON: Thank you, sir.

Now, is your instant problem -- with respect to your

instant problem, the fact that Camp Wyanokie, its land is in private ownership?

MR. LOCKWARD: It's in a private -- it's a private non-profit corporation.

CHAIRMAN JOHNSON: And you have never been successful in seeking the tax exempt status?

MR. LOCKWARD: No. We have not. We understand that we cannot. We do get five acres -- we do get a five acreage exemption now. But inspite of the five acre exemption, our taxes have quadrupled in the last five years. The land which we have paid -- we have paid fifteen hundred dollars --

CHAIRMAN JOHNSON: The land title is in the association?

MR. LOCKWARD: That is correct.

CHAIRMAN JOHNSON: If you divested yourself of it, if you sold it, where would the proceeds go?

MR. LOCKWARD: Any proceeds that we might recover would have to be distributed among certain types of designated charitable organizations.

CHAIRMAN JOHNSON: No individuals would profit?

MR. LOCKWARD: No, no.

CHAIRMAN JOHNSON: Thank you.

MR. LOCKWARD: At the present time, I might

further add, that we have a plan that is nearing completion, perhaps for a six towns who benefit to take title to the property as a joint proposition that we will require legislation for, enabling legislation for them to do it, but we are about -- to the point where an agreement has been drawn. The six towns are in pretty good agreement, and we think this might be completed by the end of the year. But in any event, in order to preserve this type of open space, I think this special consideration has to be -- has to be given to it, and I sincerely believe that the farm -- the Farm Assessment Act shows the way.

CHAIRMAN JOHNSON: Of course, then, if this is achieved, this change of ownership, then you get resistance from the town in which it is located.

MR. LOCKWARD: This is undoubtedly true. But the land, the one parcel that we purchased is a solid rock mountain. There is not a tree over eight inches in diameter that can grow on it. It's all underbrush. You reach it by climbing up a rock wall to get on to the land, and you have to hike three quarters of a mile through the woods to get there. It was an arms-length transaction at twenty-four hundred dollars, and we got assessed at eleven thousand and can't do anything about it. We think this

is entirely wrong.

CHAIRMAN JOHNSON: Any questions?

MRS. KLEIN: I just can't understand why you can't get tax exempt status.

MR. LOCKWARD: We apparently do not qualify for a full tax exempt status.

CHAIRMAN JOHNSON: Well, you're moving in that direction, obviously.

MR. LOCKWARD: We are trying to.

CHAIRMAN JOHNSON: All right. Thank you, very much.

Next speaker Mr. Justus Von Lengerke, Jr., of Essex Fells, New Jersey.

This is personal testimony?

MR. VON LENGERKE: Yes.

CHAIRMAN JOHNSON: Would you proceed, please.

MR. VON LENGERKE: My name is Justus Von Lengerke, Jr., and I have been a resident of the State of New Jersey all my life.

Because I enjoy the outdoors and because I enjoy looking at an uncluttered countryside with beautiful rolling hills covered with trees, and not houses or factories, I am here today to ask this committee to consider the impact the true assessed property tax is having on privately owned undeveloped

land.

With all the interest in ecology, the protection of our environment, preservation of our wildlife and the preservation of undeveloped open tracts of land, this committee should consider what can be done taxwise to preserve our heritage. The true value requirement for municipal property assessments with periodic reassessments, coupled with the tremendous increase in property values and the ever increasing tax rate, puts the cost of retaining undeveloped property beyond the means of most owners and impractical for the rest. There already are provisions whereby the farmer is given tax relief by permitting farm land assessments at less than true value. This or a similar provision should be extended to open space undeveloped lands.

Assembly Concurrent Resolution No. 2024 introduced March 22nd of this year, accomplishes this purpose. I strongly urge this committee recommend this or similar legislation. As long as the property tax remains at 5% to 10% of true value every year, much of our open space, privately owned, undeveloped land will go up for sale. The only potential buyers will be those who look to derive an income from the purchase by developing the property into houses or factories, or

commercial use, or by speculating on a continued rise in value of the property anticipating future development. In either event, the open space land will be lost. Green Acres is not the whole answer. The tax load on the people of this state for the carrying charges on the bonds, plus the cost of amortization, and now for the reimbursement of local taxes, limits how far the state can go by this route. A reduction in the local property tax can accomplish the retention of open space property a lot more reasonably and also not deprive the municipalities of the full retables. Most other states already provide for tax relief for open space undeveloped property. Why shouldn't we?

Many of our summer camps such as are run by the Y.M.C.A. or the Boy Scouts, find they are forced to sell because the property tax has become too much of a burden. I have recently heard of a Y.M.C.A. camp in Mt. Olive Township, containing over 100 acres, that is in the process of being sold because of the tax burden. A Boy Scout camp in Warren County has been sold, and I understand it is the intention of this New Jersey Scout Council to purchase property in New York State where the property tax is lower, to open a new camp.

The five year rollback provision of Bill A.C.R. No. 2024, will discourage the present land

speculation and encourage continued ownership of land that is undeveloped. When a property owner considers he will have to pay the real estate tax differential for the previous five years, plus a capital gains tax, the temptation to get out will be a lot less. This same provision in part will offset the fear of some that this type of tax relief will transfer too much of the cost of schools, of county administration and of municipal administration, to the homeowners for whom, by the way, most of these expenses are incurred.

I have tried to be brief and still cover the several very important points I have made, for I know you are busy men. I thank you for the opportunity to speak to you, and in closing, once again recommend tax legislation similar to A.C.R. No 2024.

CHAIRMAN JOHNSON: Thank you, sir.

Any questions?

MRS. KLEIN: I -- I am surprised, this is the first time I have known that Boy Scouts and the Y.M.C.A. were not exempt from property tax. I see that legislation has either been offered or has passed I am not sure, to restore tax exemption such as the Elks, and things like that. These camps that are owned by these organizations are not tax exempt?

MR. VON LENGERKE: They -- I am not an expert.

There is an exemption per building of five acres or something like that. Most of these camps have a lot more, or maybe it's five acres for the total number of buildings.

CHAIRMAN JOHNSON: Well, Mr. Von Lengerke, you pointed out that --

MR. VON LENGERKE: Most of these camps are comprised of alot more.

MRS. KLEIN: But these are tax exempt organizations that own them. They don't come under local --

MR. HAINES: You see, there are federal laws, and there are state laws. Now, so far as our property tax in exemptions are concerned, they are administered under state laws, as the witness indicated. There is a limitation of five acres per building under our tax exemptions statute. This is not easy to administer, because some times they want to count woodsheds and pumphouses and everything to be equivalent of a five acre limitation.

I see some of my fellow assessors, and I know they will agree with this, that this tax exemption is a -- is the most difficult phase of our work. I have been a Y member since high school days, and yet, I have to comply with the state statute in administering

these exemptions, because, don't forget what we exempt has to be passed on to the other property owners, just like you heard earlier here today. And it's a most unfortunate situation that we have.

MRS. KLEIN: Does that apply to church owned properties?

MR. VON LENGERKE: That limitation, all --

MRS. KLEIN: Five acres per building.

MR. HAINES: Yes.

MR. MOWERY: For the record here, the Boy Scout camp in Warren County, being sold, actually that was a tab that was acquired by Tocks Island residences. They are now in the process of buying in Blirstown, which is still New Jersey. So they are not going out of state. We last night at the Rotary, the raising -- trying to raise a million two hundred and fifty thousand or something, and my particular Rotary has made a donation last night, because I -- well, I think this was not sold because of taxes. It was because of -- the State condemned it for the Tocks Island reservior.

MR. VON LENGERKE: The Camp Kittatinny, and I assume it's in Warren County, it's up on the road between Newtown and Blirstown. And the orange scout council opened that camp originally, and it's going to

New York State.

CHAIRMAN JOHNSON: All right. Any further questions?

Thank you, sir.

Next witness, Mayor Ralph Barone of Woodbridge, New Jersey.

(not present.)

CHAIRMAN JOHNSON: Mr. Russell Miles, Planning Director of Warren County.

(not present.)

CHAIRMAN JOHNSON: We have several people from Piscataway, New Jersey --

A SPEAKER: I would like to yield to Mr. Stevens to represent me.

CHAIRMAN JOHNSON: You're Shelley?

A SPEAKER: I make the same yield.

CHAIRMAN JOHNSON: Do you have copies of your testimony?

MR. STEVENS: I am a citizen of Piscataway Township.

Mr. Chairman, members of the committee, and yielders and friends, gentlemen, I just like to try to emphasize a few statistics, as far as Piscataway Township is concerned.

Piscataway Township has within its confines

Rutgers University. And Rutgers takes up twelve percent of the land space of Piscataway Township. The total of twelve thousand one hundred and sixty acres in Piscataway Township. But Rutgers owns one thousand four hundred and seventy-four of those acres, roughly twelve percent.

MR. HAINES: Is this the Kilmer Campus?

MR. STEVENS: Not New Brunswick. We are speaking of Kilmer, including the Livingston Campus over in Piscataway. We emphasize those figures, though, Piscataway Township collects in taxes in total from Rutgers two hundred and twelve thousand dollars per year. I have taken some calculations, fourteen hundred and seventy-four acres owned by Rutgers, and placed evaluation which is a conservative valuation of twenty thousand dollars per acre, it gives a rough figure of twenty-nine million four hundred and eighty thousand dollar valuation in land value alone. And when I say twenty thousand dollars is a conservative valuation figure, some of the land out in Piscataway right now are selling for in excess of thirty thousand dollars per acre. But at twenty thousand dollars per acre, Rutgers has over thirty million dollars worth of land out there. And it should be paying at the present tax rates that are close to nine hundred thousand dollars

per year in taxes on the land alone.

And I call your attention to the fact that they are paying two hundred and twelve thousand only. I am not talking under consideration that fact that Rutgers in the past ten years has spent hundreds of millions of dollars in buildings. And I am just calling your attention to the fact that right now, Rutgers is not paying its weight as far as taxes is concerned, on land alone.

If we were to compute the amount of money that Piscataway is not collecting because of the buildings out there, the figures would be astronomical.

Well, I suppose you would say then, well, there are other municipalities too that have tax exemption. That is true. There probably is not a municipality in the whole state of New Jersey, in the whole five hundred and sixty-seven municipalities probably everyone of them has exemptions. But I call your attention to the fact that Piscataway is in a position, because not only is all of this land, I am speaking of twelve percent of land, tax exempt, in addition we have the high school population that comes from the married students who are residents of Piscataway. And that places Piscataway in a unique position compared with the other five hundred and

sixty-six municipalities in the state. There's only one Piscataway, and it is in effect paying for the education of school children from five hundred and sixty-six other municipalities, plus the children from the rest of the world. We have foreign students at Rutgers. Piscataway gets no extraordinary contributions from the United States -- from the United Nations, from the federal government, or from the state of New Jersey. Piscataway has roughly six thousand single family residences. We have about four thousand garden apartment units. But to the six thousand single family resident owners, falls this added burden which is the weight around the neck of every single family resident owner in Piscataway Township.

I am speaking of added costs, the education of the Rutgers student children. Now, what does that mean in terms of dollars and cents? Recently we conducted hearings in Piscataway Township under oath, and we found through sworn testimony that Rutgers anticipates constructing at least another three thousand married student units in Piscataway Township. Projecting those figures on the basis of past performance, we can anticipate at least an additional five hundred school children to be admitted to Piscataway schools.

Now, those of you who are -- who know, as far as the districts are concerned, know that five hundred students at twenty-five students per classroom, it means twenty classrooms, which means that a brand new school. A brand new school costs in excess of a million dollars today. And to staff it, you need twenty teachers at the minimum of seventy-five hundred dollars a year merely for payroll. That's payroll for teachers alone. To that, the administrative help, the custodial help, the bonding and interest money on the bonds that are sold to construct this school, the transportation costs, the library costs, all this is going to set back Piscataway Township in excess of a million dollars a year. And the figure of two hundred and twelve thousand dollars is going to remain constant.

If Piscataway could see that in proportion to the growth of Rutgers it was going to have a proportional increase in the tax income or money in lieu of taxation, there would be no cause for alarm. But with the phenomenal growth of Rutgers and the projected growth of Rutgers, I foresee a fantastic increase in the taxes for the six thousand single family homeowners in Piscataway Township. And I beg that you take these statistics into consideration in your deliberations.

The one aspect, too, and speaking again for the six thousand single family property owners in Piscataway, one might say in argument in rebuttal that, well, all of these single family homeowners have students in the school system. That's true. But as each student graduates from the local school system, presumably the mothers and the fathers continue as residents of Piscataway. And then they continue to help to educate the other students who come along. But that is not true in the case of Rutgers. Rutgers continues to saturate the school system each year with no alleviation whatsoever. And this goes on and on and on. It's an inequitable proposition, and it's going to become more serious, and we seek relief through the state, we hope that it will be the recommendation of this body that attention be made to municipalities such as Piscataway. And I understand there are other -- there are other municipalities, but I probably could count them on one hand: Newark, Trenton, New Brunswick, and possibly Ewing Township and Camden. Once you get beyond those unique situations, and Piscataway is worse off, and I say, then the rest of them, because of the great percentage of acreage we have in Piscataway.

Thank you for your attention.

CHAIRMAN JOHNSON: Thank you, sir. Would you

remain for questions, please?

MR. STEVENS: I would be happy to answer any questions.

MR. HAINES: I just want to ask one question. You testified that you -- that you're collecting two hundred and twelve thousand dollars in taxes?

MR. STEVENS: Yes, sir.

MR. HAINES: From Rutgers?

MR. STEVENS: Yes, sir. That covers the space that is occupied by the stadium, and the golf course.

MR. HAINES: This is beyond the five acre limitation, isn't it?

MR. STEVENS: That's right. Consider the commercial proposition.

CHAIRMAN JOHNSON: These are taxes, these are not in lieu payments?

MR. STEVENS: They are being taxed. The reason I say that that two hundred and twelve thousand dollar figure is a constant figure is because they are going to get another golf course out there and a stadium.

CHAIRMAN JOHNSON: The values of those properties must increase, do they not?

MR. STEVENS: Yes. But in proportion to the amount of the land, and the tax rate, it is not going

to go up that much. It wouldn't amount to a hill of beans.

MR. HAINES: Are you receiving any in lieu payments from the state?

MR. STEVENS: No, sir, we are getting the usual formula that other municipalities get from the state formula for school children, and nothing from that --

MRS. KLEIN: Do these students, these married students with children, do they live on the campus?

MR. STEVENS: They live in what is called the married students housing. Rutgers does have it on the campus.

MRS. KLEIN: Zoned by Rutgers?

MR. STEVENS: Owned by them.

MRS. KLEIN: It's tax exempt?

MR. STEVENS: Yes. It's included in that two hundred and twelve.

MRS. KLEIN: They are not being taxed?

MR. STEVENS: Years ago, Piscataway brought an action in the New Jersey courts to try to abstain some tax money or in lieu money, and a gentlemen's agreement by way of a settlement in court was effected. And ever since that time, Rutgers has been paying

Piscataway for these housing units. But according to the formula that was set up in the courts at that time, it was not to exceed forty-five thousand dollars per year.

MR. HAINES: Do you get that much now?
Forty-five thousand per year?

MR. STEVENS: Yes.

MR. HAINES: In lieu payments from Rutgers?

MR. STEVENS: They call it by virtue of that gentlemen's agreement.

MRS. KLEIN: You mean that this student housing which is on property owned by Rutgers is not subject to the local property tax?

MR. STEVENS: That's right.

MRS. KLEIN: It's subject to this agreement that was made?

MR. STEVENS: Subject to that gentlemen's agreement.

MRS. KLEIN: Does the agreement change as more housing is added?

MR. STEVENS: That agreement was not to exceed forty-five thousand dollars, forty-five thousand dollars per year.

MRS. KLEIN: It's already reached forty-five thousand a year.

MR. STEVENS: That's right.

CHAIRMAN JOHNSON: Any further questions?

MR. GUNTSCH: No.

CHAIRMAN JOHNSON: Thank you, sir.

Now, the next gentlemen in order of registration from Piscataway Township is Mr. Robert Shearn.

(no response.)

CHAIRMAN JOHNSON: Mr. William Shelley.

MR. SHELLEY: Mr. Chairman, Mayor Sheehan, Assemblyman Haelig, Assemblyman Schluter, Mr. Richardson of the Raritan Chamber of Commerce, and Mr. Stevens of Piscataway have pretty well express my basis philosophy of in lieu of tax payments. So I have necessarily edited my own remarks, and the jest of my remarks will be on an in lieu of tax formula.

Now, the County Board furnishes to the state of New Jersey continuous statistics on tax exempt properties to Middlesex County, the figures I have here, Mr. Chairman, are the 1971 figures. My remarks concern only state owned exempt properties, excluding other tax exempt properties such as church, cemeteries, county, municipal properties, rescue squads and so forth. I excluded these because these institutions local and county governments derive local and county

benefits from them. But state facilities are the responsibility of the entire state of New Jersey, in my view, and all of the taxpayers. Students from all over the state attend our state university and colleges. And state facilities, also, serve the state of New Jersey and all the citizens of the state of New Jersey. It seems rational to me that when state owned facilities exist, taking up valuable taxable land, the entire state should share the burden of the tax loss to the community.

Now, support for some of these formulaes for in lieu of tax payments is present in the legislature, but I believe that the proposals have either been turned away, or they haven't even been considered, because they were too complicated, and in some cases almost absolutely unworkable. Now, S288192 has merit, 81152 has merit, ACR39 certainly has merit.

Let me read first a few statistics of the Middlesex County tax exempt properties, and then I will get on to my brief proposal. These figures were taken from the 1971 tax books, and they include all of the tax exempt properties in Middlesex County. I would like to concentrate on just the larger municipalities. Edison with the tax rate of eighteen would pay in taxes, if it were non-exempt, seven hundred and forty-

eight thousand dollars. Madison Township, one hundred and thirty-four thousand. I rounded out these figures. Monroe, which is the home of the State Home for Boys, three hundred and sixty-nine thousand dollars. New Brunswick, three million one hundred and one thousand dollars. North Brunswick, three hundred and thirty-eight thousand dollars. Piscataway, four million eight hundred and thirty-four thousand dollars. Woodbridge, with the New Jersey Turnpike Authority, one million four hundred and seventy-nine thousand dollars.

Now, the formula I would propose is that the state pay twenty percent of the assessed value of state owned properties wherever they exist, any municipality. The formula is so simple that perhaps it's too simple, and it might be rejected on that basis alone, because it seems that when bills are considered, when they get too simple, they're shoved aside.

CHAIRMAN JOHNSON: Are you saying the state pay us a tax, twenty percent of the assessed value?

MR. SHELLEY: Twenty percent of the assessed value, twenty percent. I will get down to figures, Mr. Chairman, and translate them into tax figures. First I am talking about assessed value, which is normally about fifty percent of true value, and take

twenty percent of that, and I will translate that into tax figures.

CHAIRMAN JOHNSON: Oh.

MR. SHELLEY: What I like about the formula is that it needs no implementation, it needs no costly studies, it needs no administration at all. The local assessor assesses state owned land and buildings in the normal manner. The County Boards certifies the figures and turns the tax books to the municipality. The local tax collector then would be supporting legislation bills the state twenty percent of that tax figure. The use of the percentage figure has these advantages, it is equitable, and it's fair to all municipalities, state owned property where municipalities and state owned properties exist. If the volume of state owned property goes up or down, it continues to operate on a fair level. Suppose certain municipalities where state owned properties exist do contribute more municipal services than others. A case in point could be Piscataway versus New Brunswick. Perhaps New Brunswick does contribute more in municipal services. Then the legislature could be in power to reduce that percentage payment from twenty percent, perhaps to fifteen. Then in Trenton, as an example, where the municipality, the City of

Trenton, contributes more in municipal services, than that twenty percent would be increased in proportion to the services that are offered, say twenty-five percent. The percentage figure can be adjusted up or down. In other words, commensurate with municipal services. The twenty percent formula in summary is equitable, it's adjustable to increasing or decreasing volume of state owned property, and the percentage level can be adjusted according to the municipal services used by the state. It needs no implementation, there are no extra administrative costs, Mr. Chairman.

CHAIRMAN JOHNSON: Thank you. For the twenty percent formula you propose for the state, could the state on equal footing with other tax payers, or would it be punitive?

MR. SHELLEY: It would be on an equal footing. In other words -- in other words, at present in Middlesex County, if all exempt state owned -- state owned exempt properties were taxed at the regular level, using the local tax rate for each municipality, their return in taxes would be eleven million three hundred and twenty-one thousand dollars. The twenty percent formula will result in two million two hundred sixty-four thousand two hundred and four. Now, the breakdown for the two municipal -- municipalities more directly concerned,

that would be New Brunswick and Piscataway. Piscataway would receive under this formula nine hundred and sixty-six thousand dollars. New Brunswick would receive six hundred and twenty thousand dollars.

MRS. KLEIN: You're not talking about twenty percent of the assessed valuation. You're saying twenty percent of the taxes.

MR. SHELLEY: It amounts to the same. If you were to take the assessed valuation --

MRS. KLEIN: Tax on twenty percent?

MR. SHELLEY: Right. And you multiply it by the local tax rate. Whatever the tax rate is. Then you simply take twenty percent of that tax and bill the state for twenty percent.

CHAIRMAN JOHNSON: I believe, if I recall correctly, Assemblyman Schluter said that state owned property represented twelve percent of the ratables in Trenton, for example. Would you still have Trenton tax the state twenty percent?

MR. SHELLEY: Yes. But you recall, Mr. Chairman, that I mentioned that if an inequitable -- I think this is an equitable formula, but if an inequity exist, that twenty percent can be moved up or down to make it more equitable to Trenton.

CHAIRMAN JOHNSON: All right. Further questions?

MR. HAINES: I think you covered it, sir.

MR. GUNTSCH: Well, won't you under this formula have all the municipalities that have the state owned properties in them being -- vying for change in the percentages? In other words, you start out with twenty and this would be just the basic, then they would be looking for more. They would be vying for more at all times. Wouldn't you have to freeze it? Wouldn't you have to freeze a percentage?

MR. SHELLEY: No. I don't think so. This is a constant rechanging situation. A good example, again, is my beloved Piscataway where we have all kinds of large buildings going up, and I think that the formula is adjustable.

CHAIRMAN JOHNSON: There your problem is that your tax payment is virtually frozen, right?

MR. SHELLEY: That's right.

Mr. Stevens mentioned, for instance, the taxable land we get two hundred and twelve thousand dollars for, that in effect is frozen. That should be up-dated. But that's another problem. But to answer your question, if the situation changes and state owned land and buildings, then the formula is such that it can be adjusted to the change. That is the entire jest of this formula. It's easy to work.

I think it's equitable, and it can be adjusted.

MRS. KLEIN: Do you know what it would cost the state?

MR. SHELLEY: The state, no. I sent for some figures, and I'm sorry I didn't get them. However, one of the senators mentioned a figure of approximately twenty-two million dollars, as he put it, available for this kind of program. I believe if you were to take into consideration, Newark, Trenton, New Brunswick, Woodbridge, Piscataway and the other cities and municipalities where state owned property exist, I would venture a guess that it's going to be within the state's capability to pay that twenty-two million dollars.

CHAIRMAN JOHNSON: All righth. Further questions?

Thank you.

MR. SHELLEY: Thank you.

CHAIRMAN JOHNSON: Mr. Shelley, perhaps we covered this before. Are you a municipal official?

MR. SHELLEY: No. I am president of the Middlesex -- I want my remarks here, I want the committee to construe it as being a private citizen.

CHAIRMAN JOHNSON: Personal. All right.

Thank you.

MR. Earl A. Schultheiss or Mr. Harry Ferguson of Stillwater Township.

MR. SCHULTHEISS: I'm Mr. Schultheiss.

Mr. Chairman, much of the thinking that I have on this has been presented previously. Unfortunately, number twenty gets a little boring. This I didn't find out -- I didn't find out about this meeting until two days ago. So I kind of puts these together in a hurry, and I do not want you to consider this from going from Stillwater Township. We do not have time to take a formal action to that paper.

CHAIRMAN JOHNSON: May I say in respects, the committee will be always glad to receive -- to extend written comments from you for their study.

MR. SCHULTHEISS: This isn't a study. It probably should be based on more on maybe random thoughts. But basically, I am glad to see that somebody has spoken out for open space. And this paper is not written to apply pressure to obtain tax advantages for any group or area. It is opposed to pressure and favoritism and is only written as a plea that we consider tax changes that are fair and logical. People require services and people must pay taxes - old, young, poor, rich, black and white. Some people have more ability to pay and should and do pay more.

We believe that the pressure of taxes based

on real estate land values places undue pressure on open land and fosters poor planning. Taxation should assist good planning for land use. We need open space, - trees, farms, and protected watersheds for health, ecological, environmental, esthetical, and yes, economic reasons. We also need land for homes. But we cannot afford to allow the planning to be controlled by real estate interests and tax pressures. We must encourage private and public holding of open space, woods, farms and protected watersheds by our tax policies. Only that land which can be spared should be developed.

We need more open land than the public is willing to purchase and we must count on private owners to hold the land for open space use. True, he may have a gold mine in real estate values, but as long as a land owner holds it open his income may be zero or at most equal to that of a farmer. There is no ability to pay until liquidation takes place. Until then the community is indebted to the land for all the reasons mentioned above and should not expect tax revenues of any great amount from land.

We don't tax stocks and bonds held in bank vaults - why tax land until it, too, is sold? The following are the changes we'd like to see accomplished

by State action:

1. Tax relief for open space - (any piece of ground in excess of the minimum zoned lot size).

As long as a owner holds land undivided it is beneficial to the community. It really doesn't matter if he is a speculator or a pure conservationist.

Tax on a piece of land should be based on a value established by capitalization of its use. If land that has been taxed as open space is eventually subdivided and developed, the real estate value must become the basis of taxation and must be collected for at least ten years back. The owner could have his choice of being taxed on the basis of real estate values or open space values to avoid a back tax. From a practical viewpoint the Township needs this money at this time of subdivision and development more than at any other time.

If land is sold at a profit, income tax or capital gains tax is also levied and proceeds from this tax should come back to the community. This prevents a landowner from having unfair investment advantage. But the community must have a share of this tax on profit.

2. Tax relief for homeowners.

We recommend relief here, but recognizing it

is the homeowner that requires increasingly costly services. We suggest that a good share of services required be paid for by a tax based on ability to pay and "feed back" from Federal and State tax. We don't believe anyone should be completely free of supporting the community activities, and we favor continuation of tax based on, not value, but some measure of a home's requirement of services. For a simple base we'd suggest the number of rooms and/or living area.

3. Tax relief for retired people.

We urge that retired people pay their debt to the community which is primarily school tax, with the same dollar value that they earned as of the day of retirement. This means a tax freeze as of date of retirement as long as no wage earners are living in the home, and as long as the retired persons are not earning in excess of that amount allowed by Social Security regulations.

4. Tax relief for land restricted in use for benefit of community.

This should be explicitly spelled out. Why should an owner pay real estate tax on flood plane and swamp or wood lot zoned for watershed, for example? True, he may sell the land for profit, but here he should be subject to capital gains or income tax. Meanwhile

his swamp and trees are preserving the water supply and cleaning the air for the community.

5. Regional tax on regional industry.

If an industry obviously serves several municipalities or a whole region, the taxes derived from this industry should benefit the whole region. Perhaps the state should collect these taxes. Why should the users of telephone, through phone rates in "Community X", pay the school taxes in "Community Y" just because "Y" has the power to tax the telephone company head office and warehouse. These taxes must be redistributed as nearly as possible over the region by the State.

6. Establishing the wealth of a community.

Too long we have used real estate values to establish assessed true value of a community. On this basis we distribute such tax assistance as school aid, If a community is holding open space for watershed protection, for instance, the true assessed value of this land should be based on its actual use. The watershed is a benefit to the whole state. Again, the valuation of a community should be based on its planned use - not on the most lucrative use.

To summarize - if we are going to provide the services and for all our people, we need money. People

must pay according to services required and ability to pay. The land has few needs for services and, as open space, has little ability. If we liquidate open space to pay for the services required, we destroy it.

Thank you.

CHAIRMAN JOHNSON: Thank you,

Mr. Schultheiss. Are there questions?

MR. HAINES: I have no questions.

MRS. KLEIN: No questions.

MR. GUNTSCH: I don't have any.

CHAIRMAN JOHNSON: I guess you said it all, sir.

MR. SCHULTHEISS: Thank you.

CHAIRMAN JOHNSON: Mr. Peter Martinez.

MR. MARTINEZ: Mr. Chairman, the Association of Taxpayers was born out of dissatisfaction of the local property tax structure. We wrote a letter to the Tax Policy Committee sometime back, and I don't know if the members here have read it. And if you have, I would like to go over it again just to put it in the record. This was sent out to the attention of Senator Harry Sears, Chairman.

Mr. Chairman, this incorporated organization of taxpayers wishes to express its feelings concerning the inequities and immoral aspects of the New Jersey laws

pertaining to property taxation. The Association of High Bridge Taxpayers was born out of dissatisfaction with a local tax structure that did not conform to the statutes. We viewed with dismay the sweeping gaps in assessed evaluations that appeared in the tax records. We fought for revaluation. In doing so we discovered inconsistencies and unfairness in the basic philosophy of property taxation. The situation is serious and cannot be tolerated by the taxpaying property owners much longer.

The following pages point out some of the outrageous situations that are imposed on the public as a result of the wording of the law. We have spent much time reading the "Assessors Law Manual" that we were able to obtain from the Local Property Tax Bureau. The provisions and safeguards spelled out in the statutes have been criminally neglected. We have letters in our files that document the indifference of our public officials that are responsible in the enforcement of the law.

Please review our points carefully. In light of the loss of confidence in government that is growing day by day in this country, we feel that it would be wise for our public officials to pay attention to the people. History has shown that when

government takes an aloof and pompous attitude toward the masses, eventually disaster prevails.

The government officials responsible for the formation of your committee, and in particular, Governor William T. Cahill are to be commended for this attempt to investigate this matter that is causing hardship and distress among so many of our citizens.

This group of interested taxpayers is not a body of lawmakers and we will not even attempt to make positive recommendations, however, we do feel that we are in a position to point out the short-comings of the letter of the law because we are seeing the situation first hand. After reading our paper, we doubt that any member of your committee can truthfully say that there is no injustice in our tax laws.

If this Association can help by attempting to communicate with people in areas of influence feel free to call on us. We sincerely hope that your committee can effectively determine the major short-comings of our tax structure. We trust that you will make intelligent recommendations to provide a tax proposal that will consider the points that we will bring to your attention on the following pages.

Very truly yours, The Executive Committee

Peter Martinez, Chairman, 1 Jersey Street; Arnis Buza,

Vice Chairman, 20 Sylvan Road; Thomas Gogal, Secretary, Valley View Road; Willard Everitt, Treasurer, 31 Sylvan Road; Thaddeaus Gajewski, Legal Liaison, Valley View Road; Eugene Polsley, School Board Liaison, 14 Patton Street; Frank Morrisson, Planning Board Liaison, Cregar Road; c.c. Governor William T. Cahill, Mayor and Common Council, High Bridge, Editors, 4 Newspapers: Hunterdon Democrat, Hunterdon Review, Easton Express, Courier News; Hunterdon County Tax Board, Senator Foran, Senator Wayne Dumont, Representative Frank Thompson, Jr., and Group to Repeal Inequitable Taxes.

The Association of High Bridge Taxpayers finds that the tax laws in the state of New Jersey are unfair and inequitable to a large portion of the property owners in the State for the following reasons:

1. TAX LAWS ARE NOT BASED ON A PERSON'S ABILITY TO PAY!

(1) Senior citizens, disabled persons, widows with children have no consideration.

The Senior Citizens deduction, as called out in the statutes (93-440p Sec. 54:4-8.41), is a farce. This statute says that a person over sixty-five that earns in excess of \$5000.00 is not eligible for the exemption. In High Bridge, elderly citizens are obliged to pay in excess of \$1000.00 in property tax.

Therefore the law is placing conditions on these people that makes it impossible to own property to be eligible for the deduction. It seems very cruel to tell an old couple that the home that they have sacrificed and worked so many years to obtain must be given up because of their obvious inability to pay an excessive tax. These people have paid their taxes for years. In most cases, they make very little demand on municipal services. There seems to be no excuse for a couple existing on the pittance of Social Security, to be placed in a situation where they must sacrifice their very necessities of life or face a foreclosure sale for unpaid taxes.

The fact that the voters of the State voted to raise the Senior Citizens exemption from \$80.00 a year to \$160.00 shows clearly that people at large are aware of the problems of the aged. Not too many people are aware of the aforementioned conditions limiting the eligibility for the deduction.

People that suffer disabilities (including war veterans) such that their earning capacities are impaired, fall into this category along with small children. The unemployed whose income is totally cut off (except for unemployment insurance) are placed in a hopeless situation. All are expected to pay

regardless of income.

(2) Escalating property values causing distress in taxation.

In recent years property values have escalated tremendously. Property taxes have sky-rocketed at the same rate. The reason for this situation is that the statute (93-404k Sec. 54:4-2.25) says that assessment of property to be taxed will be done at "true value". True value is defined as "current market value". (93-035c Sec 54:1-35.3) Current market value means nothing to an individual unless he plans to sell his home. His income is not enhanced by the fact that his property is appreciating. Therefore this is a poor basis on which to determine the amount of taxes he should pay.

An individual who could well afford to purchase a home at a given price ten or fifteen years ago, and maintain the mortgage payments and taxes of that period, will not necessarily be able to do so today at inflated prices. Mortgage payments in fact decrease over the years due to a depreciating interest charge. On the other hand, taxes are increasing consistently each year. When the sales tax came into being, State officials proclaimed that it was going to relieve the property taxpayer. It is doubtful

that your committee will find any taxpayer who has felt this "relief". The Law assumes that an individual's income always reflects the curve of the economy. This by far is a condition that is not true.

11. PRESENT STRUCTURE REWARDS NEGLECT AND PENALIZES PRIDE IN HOME OWNERSHIP!

(1) If a property owner neglects his home and allows it to fall into decay and ruin, the current market value of the property will definitely fall off. If a property owner takes pride in his possessions and through sacrifice and hard work, he makes his home an asset to the community, the current market value will definitely rise. Now, here is a paradox. In the first case the individual is rewarded for his lack of initiative. In the second case, the individual is penalized for his diligence. This is not only unfair, it is foolish! This is the stuff of which slums are made. Landlords let their holdings deteriorate because they know that they will realize benefits in taxation. Individuals are starting to adopt the same outlook. In time the blight that is infecting our cities will spread, and the prospect for the future looks very grim indeed.

111. PRESENT STRUCTURE EXPENSIVE TO MAINTAIN AND DIFFICULT TO UNIFORMLY ENFORCE.

(1) Expense of revaluation high and unreliable.

The cost of maintaining a study on a rapidly growing community for tax purposes is high and even if revaluations could be assumed to be accurate, inequities crop up between periods of revaluation. This situation is unfair to the individuals who are forced to pay more than their fair share according to the system.

Inevitably revaluation breaks down. In High Bridge, it was never accomplished prior to 1971. There is no justification for the huge discrepancies that appear in the tax records up until this year. Revision and equalization as called out in the statutes, (93-481 Sec. 54:447, 93-028 Sec. 54:1-30) was sadly neglected by local, county, and state officials for all these years. Unqualified people are responsible in the area of property taxation. As we see the situation, they are incompetent to serve in this very important and complex function. We are sure that this situation prevails in other areas outside of High Bridge and Hunterdon County. The language of the law is vague and needs much in the way of interpretation. Using the term "current market value" leaves much to be desired when a persons pocketbook is effected. Market

value is the price a person is willing to pay for a given commodity. One person may place a very high value on something. This "something" may have no value to another individual. There is nothing hard and fast about the wording of the law to solidly determine what a person should pay relative to his neighbor.

This should be clear so that there is no question in anyone's mind that someone else is "getting away with something".

(2) Assessing is not an exact science.

It would be interesting to have a number of revaluation firms assess the same area independent of each other without the knowledge that others are also doing the work. It is doubtful that there would be exact consistency and quite possibly there would be vast discrepancies between these exact consistency and quite possible different firms. There are many in High Bridge that feel that their homes were given only an off-hand appraisal. There are so many minute factors that effect the market value of a home that it is practically impossible to determine with any precision what the "current market value" really is.

If two different contractors build two identical homes, they could demand different "market values" because workmanship enters into the picture.

The amount a person is willing to pay does not necessarily reflect the true market value. An individual may not know the proper value of the property since different areas reflect different values for similar homes. They may be willing to pay more than it's worth for speculation purposes. Yet the prices paid in recent years is used as a yardstick for revaluation. These prices are then applied to land and dwellings that no-one wishes to sell.

IV. TAXES PAID SHOULD ATTEMPT TO REFLECT DEMAND ON MUNICIPAL SERVICES.

(1) The largest portion of every municipal budget in the State is the school budget. It is not reasonable that a person that has four, five, or six children in the school system should pay less than a person that has only one child. Yet this is the case repeated many times over. Where this is particularly wrong is in the case of couples without any children and senior citizens. It seems logical that the financing of schools should be carried out at the state level. The local vote on the school budget seems to be an attempt to dupe the public into thinking that there is local control over spending in the school system. Our school board informs us that 85% of their budget is controlled and mandated by the state. If this is a

reality, then the vote on the school budget is nothing but a mockery. If the state does control the money and dictates how it is to be spent, then the state should arrive at some equitable means to obtain this money instead of placing the burden on the local property taxpayer.

In closing, we must say, not only tax reform but control and analysis of government spending at the state level should be considered. The taxpaying public in general is caught in the squeeze of unemployment, escalating taxes of all kinds, and runaway inflation. Areas of expenditure such as the various welfare programs can stand a hard looking into. A serious and careful study should uncover places where tax dollars can be saved. The Association of High Bridge Taxpayers hopes that government will try to accomplish its business in a more professional manner than we have seen in the past. In this way our officials can gain the respect of the taxpayers they represent.

Thank you.

CHAIRMAN JOHNSON: Thank you. Are there questions?

MR. HAINES: Did you say your association requested a revaluation?

MR. MARTINEZ: No. We were delayed on

reevaluation for two years, and the reason we were delayed was the town council told us planning and zoning was the reason for holding it up. Since then, we have found out that planning and zoning is a continuous ever changing process, and reevaluation should be a current rechanging process. And we are hard put to understand why one should put off another for three years.

MR. HAINES: Haven't you had a reevaluation yet?

MR. MARTINEZ: Yes. It finally came in, and, quite frankly, there is quite more, which I don't have time, it doesn't look right. I will tell you that --

MR. HAINES: For what year?

MR. MARTINEZ: It was for this year. And this is the first time in the history of High Bridge it's been done.

CHAIRMAN JOHNSON: Are there other questions?

Thank you.

Anthony Dailey, former tax assessor and tax consultant.

MR. DAILEY: I was tax assessor, and I was tax consultant to challenge the equalization table of Middlesex County in '47 and '55. And I was successful, even though the municipality went to the Supreme Court,

and we had in Middlesex County probably the first equalization table than any other county. The reason I am here today is that we are talking, I assume about the property tax.

In order to talk about the property tax, we must talk about the three groups of governments there are. We have the county government, we have the school boards, and we have the municipal. Now, I might state that without their contradiction, that here in New Brunswick thirty-four percent of the tax levy is raised by tax levy on properties. The balance comes from other miscellaneous revenues and surplus. Only thirty-four percent. And I might also state that here in Middlesex County fifteen of the municipalities pay more county taxes than they do of their tax levy for their own use. So that on the other hand, the schools, they take about seventy percent. Their budget, seventy percent must be raised by a tax. And in the county government, eighty percent of their tax budget must be raised on tax levy on property.

When speaking of tax levies, we must bear in mind that there is an injustice created by the legislature in 1965 when it adopted the so-called personal property assumed valuation. That the legislature in 1965 had in mind that the local assessors,

or '66 rather, Public Law 1966 Chapter 1, it had in mind that the local assessors were assessing personal property in a discriminatory manner. And the acquisition that it permitted them to create tax adjustments which resulted that the legislature did not adopt this statute and remove the personal property assessment from the local assessor's books.

Now, in doing so, those ratables were used to support education and support the county government. Well, when it removed all these personal property assessments from the ratables, that mean that the Board of Education in New Brunswick lost about three hundred thousand dollars in taxes. What happened was that there was replacement tax adopted by the state. And this replacement tax goes to municipal treasuries. None of it is divided or given to the Board of Education or given to the county government. And that has remained stationary or stablized. It's the same amount. It was seven hundred and eighty for every municipality in the state. The amount is the same. This would indicate that the state had not been successful in eliminating tax delinquencies. Therefore it's the same. But the most important fact that I am concerned about is that in doing so, eliminating this personal property tax, they replaced it with an

assumed personal property valuation. And if you have ever studied, I think that my friend Mr. Haines, you will read that the personal property replacement revenue is divided, capitalized by the tax rate of the preceding year. Then that figure, like in New Brunswick it was seven hundred and eighty-seven thousand three o three, and that was capitalized by the preceding general rate of seven thirty-four. That gave a capitalization figure of ten million o four four two thousand. Then it was further equalized by using the real estate, the real estate ratio of the previous year which has nothing to do whatsoever to do with personal property, which was forty-six percent. And they computed the figure of twenty-one million eight hundred and thirty thousand dollars, which the municipality had to raise taxes for support of the county government. That is an indirect tax on property, because there is no personal property assessment under when the local -- and on/the County Board of Taxation added that twenty-one million dollars, I want to say that the amount throughout Middlesex County is that -- is included in the county ratable sheet, and it's assessed to the municipality on the local tax property tax rate. That should be eliminated.

When they talk about the tax exempt -- tax

exemption, the Middlesex County we have approximately five hundred and twenty-five million dollars of tax exempt property. On the ratio of fifty percent, that would be over a billion dollars. But how are we going to segregate state institutions which provide for rehabilitation of the ill, of the numbers who have violated laws, against the county institutions? What about the county hospitals? What about the charitable non-profit hospitals?

Now, there is some property here in the county that enjoys tax exemption that is questioned. And that is where a municipality has acquired property to tax title liens. They have allowed some of it to remain there for years without attempting to adopt in rent foreclosure or anything, and it stays on the books as tax exempt.

Now, that property should be disposed of after the tax title lien had been foreclosed, which should be -- but it is not being done. Therefore, the property tax in Middlesex County, it is nothing more than a discriminatory tax. And unless it's enforced in full, -- now, I remember back in '38, municipalities, they were able to reduce their taxes by reason of various changes by the legislature in the tax structure. In 1938 the county, the state removed the value of utility

cost from the local tax books, and they replaced it with a gross receipts and franchise tax. That money goes directly to the municipality. None of it goes to pay the cost of county government or school government. When they removed the personal property, they get the same thing. Except, as I said before, in the county government, they turn around and put this assumed personal property valuation, they removed the second class railroad property from the local assessors books and they fixed a tax rate, 1966 Tax Rate, they froze it. In New Brunswick it's five dollars and ninety cents. They froze that. So all this -- all this talk about that we should have new taxes, the legislature directs and controls much of the tax legislation, and if they don't pay attention to too many of these bills that they introduce that impose injustice on a property, whatever you recommend, if you do recommend, it's not going to solve the property tax.

The legal assessors abide by the rules of the County Board of Taxation. The County Taxation, as Mr. Haines says, has never adopted a standard value to be put into effect. It denies, according to the statute that we are a County Board of Taxation, it fails to adopt a standard of value. It automatically goes

to fifty percent. And that's all they have ever done in Middlesex County. The twenty-one counties throughout the state should have one standard of value, and I say at a hundred percent. Then each taxpayer will know what tax he's going to pay. When you pick up these appeals, and they show that some property is assessed at twenty, twenty-five percent, but it should be fifty percent, as it exist here, and the County Board of Taxation has never corrected it, they have allowed municipalities to go as much as eight or nine years without revaluation. So that we can't blame the County Board of Taxation and the State Legislature if the property tax now exists is discriminatory. The tax rates are erroneous, because any governing body, when they come up on an election year, reduce the tax rate that year. The following year, it goes up.

Now, I bring these points to you, but primarily I'm interested in this. I am interested in this --

CHAIRMAN JOHNSON: Your time is running out.

MR. DAILEY: It is to assume personal property assessments. Thank you.

CHAIRMAN JOHNSON: Thank you. Are there questions?

(No response.)

CHAIRMAN JOHNSON: All right. Thank you.

Mr. Richard Adams, Councilman, Piscataway Township.

MR. ADAMS: Thank you, very much. I am going to be very brief. The hour is late. I would like to go on record as stating Piscataway needs help. The property in the state -- for state owned property in our township. I am supporting the bills of Senators Tanzman, Assemblyman Haelig, and Garibaldi. We have one of the fastest growing communities in Middlesex County, and we are burdened now with constructing new schools. We had a serious teacher strike in our township a few weeks ago, and we have additional children. Residents are requesting additional services every year. And senior citizens in our community needs some kind of tax relief.

Gentlemen, where are we headed? Where is New Jersey headed, taxwise? What can we do to alleviate this situation? What areas will you recommend? What areas would you like to recommend? Did we save money by combining certain services? This is one of my recommendations to you, maybe it might be an area. I know this isn't in your jurisdiction, but it might be in your recommendations for the

-- to the governor to maybe move and look into areas where he could save money, utilizing certain services, statewide, municipal, or countywide. One of the areas I am thinking about is in the school board area, where, perhaps, more new schools can be -- the state has an area there where they have plans for school, where a municipality can go down and look at them, rather than -- I am not trying to put the architects out of work, but it might be an area in where we could save some money. We have got to do something for our municipalities. We have got to do something for our county, and I want to go on record as being an interested councilman, and an interested citizen of Piscataway. And I want to thank you for letting me speak today.

CHAIRMAN JOHNSON: Thank you. Are there questions?

Thank you, sir.

Mayor Joseph Mammon of East Brunswick.

MAYOR MAMMON: First I would like to apologize. I am not too well prepared here today. Unfortunately, the Mayor of Woodbridge who is chairman was suppose to have appeared. We have been unable to find him.

What I would like to do is to read a

resolution which was presented at our Middlesex County Mayors meeting last Friday. I've got the original here, which I will leave with you. It's been signed by --

CHAIRMAN JOHNSON: We will put it in the record, if that's your pleasure.

MAYOR MAMMON: It's been signed by twenty of the twenty-five mayors in the county. I would like to read the resolution, if I may.

Resolution to be presented by Middlesex County Conference of Mayors to the State Tax Policy Commission on May 4, 1971.

WHEREAS, the skyrocketing of educational costs have already forced local property taxes throughout New Jersey to a point, where they threaten to become unbearable burdens on property owners; and

WHEREAS, any further increased in real property taxes due to spiraling education costs could in effect, be tantamount to confiscation of the property of many of our homeowners and other taxpayers; and

WHEREAS, state aid has decreased to cities in Middlesex County from 19% of revenues to 14% of revenues in the period 1966-67 to 1971-72; and

WHEREAS, the national average of state share of local school costs approaches 50% while New Jersey

slips below 30%; and

WHEREAS, the average school budget, in Middlesex County, has risen 87% since 1966-67 while average annual state aid for education has decreased from 19% to 14% of local school costs; and

WHEREAS, additional, and more equitably distributed State Aid for schools, is urgently and NOW, by municipalities throughout the State; and

WHEREAS, the Mayors of Middlesex County agree that the State of New Jersey should strive toward a goal of financing 50% of local school costs; and

WHEREAS, increased state aid would reduce property tax burdens by 35% in Middlesex County; and

WHEREAS, increased state aid would provide a more appropriate funding source for a service that has no relationship to property values; and

WHEREAS, increased state aid would allow an even distribution of quality educational programs and an even distribution of the benefits of such education; and

WHEREAS, property tax relief for education would allow adequate planning and provision of other municipal services; and

WHEREAS, the State Tax Policy Commission is deliberating to determine fair and just taxation for

all New Jersey citizens and homeowners; and

WHEREAS, the Mayors of Middlesex County agree that state funding of 50% of local school costs is the best form of relief for the property taxpayer;

THEREFORE, the Mayors of Middlesex County have resolved jointly to call for a 50% state funding of local school costs to shift this burden from harassed property taxpayers.

1. Environmental and Economic Impact

A. Tax is regressive

Tax is placed on owners of property regardless of income

Badly affects fixed income

families (pensioners)

Badly affects diminishing income

families - as in a recession

B. Tax is inappropriate for financing certain non-property functions.

Education

Finances education most (about 70% of tax revenue applied here)

Educational benefits have no relation to property values

Property Value growth bears no relationship to rise in education costs

Property tax asked to make up for deficiencies in state formula aid 14.8% of Middlesex County local school costs come from state aid Statewide average is about 20% and national average is about 45% Middlesex County annual local school costs rose 87% in five years while annual state aid decreased from 19% to 14% of local school costs.

- C. Tax is inadequate to finance annual cost increases in local government. Uncontrollable cost increases such as employer contributions to pension funds, insurance, share of regional sewage and other agencies' costs, about 10 to 20% annually.

Other sources of revenue show little or no growth for the municipalities in the period of 1976. The property tax will have to bear the combines burden of county, township, and special district cost inflation unless new sources of revenue are made available. This indicates a three-way upward push on

property tax rates.

II. Property Tax Limitations

A. Not all property is taxable

For Example:

Exempt property totals \$154 million
in Woodbridge.

Street and other rights of way account
for at least 1/20th of land area.

B. Veterans' and Senior Citizen exemptions

while important to reduce the regressive
nature of the tax but do so at the cost
of reducing revenue.

C. Growth Restrictions

All the conditions listed impact the tax
most in municipalities that are
completely built up- those that have little
tax base growth.

Projections of tax base growth that it will
not grow as fast as projected municipal
costs. This means that even cities with
diverse tax bases are going to feel the pains
of significant property tax increases
in the 1970's. Woodbridge will reach
that point in a short time.

I might add that the twenty-five mayors on

this resolution represents -- includes urban and suburban and rural areas in Middlesex County, and includes both political parties, and also independents. There was a unanimous agreement upon this. With that, I say, unfortunately, I apologize for being called the last minute. I will submit to questions, if you have any.

CHAIRMAN JOHNSON: Are there questions?

MRS. KLEIN: The first WHEREAS, it says the average annual state aid of education has decreased from 19% to 14%, and up above it says 30%.

MAYOR MAMMON: Let me give you an example.

In 1966 -- '67, this is on one where the school budget was five million, our state aid was one million four hundred and sixty-one thousand, or twenty-four percent of our total budget was state aid. In 1970 -- '71, where our school budget was -- our state aid was one million five hundred and sixty-one thousand dollars, or fourteen percent of total.

MRS. KLEIN: Also, the state averaged twenty-nine percent, Middlesex is twenty-four to nineteen percent?

MAYOR MAMMON: That's the range, yes.

CHAIRMAN JOHNSON: Further questions?

All right. Thank you, Mayor.

MAYOR MAMMON: Thank you.

CHAIRMAN JOHNSON: Now, the Chair will go back over the list of registrants and see -- call the names of those who were called earlier and who were not in the room.

Mayor Robert Cawley of Princeton.

(Not present.)

CHAIRMAN JOHNSON: Mayor Ralph Barone of Woodbridge.

(not present.)

CHAIRMAN JOHNSON: Mr. Russell Miles, Planning Director of Warren County.

MR. MILES: My apologies, gentlemen.

My name is Russell A. Miles, and my address is Box 282B, R.D.#2, Phillipsburg, New Jersey, 08865.

I appreciate the opportunity to express my views relative to the proposed property tax revision in New Jersey, particularly Assembly Bill Resolution Number 2024, sponsored by Assemblywoman Fenwick, Margetts, Assemblymen Schluter, Ewing, Kean and Haelig.

I am not going to reiterate all of the many reasons of why a property tax revision in New Jersey is essential. I will, however, confine my remarks to the property tax as a function of municipal and regional planning inasmuch as I am presently Planning

Director for Warren County, and have been actively engaged in the field of community planning for the past 12 years. I feel that I have observed firsthand some of the problems that our present tax system has engendered.

As a basic planning policy at the state, county, and municipal level those undeveloped areas in the northwestern part of our state, including Warren County, are generally considered most logical to be retained as open undeveloped land. It is said that we are the most densely populated state in the union, and yet, our northwestern portion contains substantial areas of open land.

Some of the open land exists in a public ownership, but a large and more significant portion is open land because it is the desire of the property owner. The property owner however is frequently confronted with a municipal tax policy which is discouraging him to retain the land in an undeveloped state.

Municipalities all over the state are faced with the problem of rising operating costs, largely school costs. As a result, under the present tax structure the assessment of open land is increased far out of proportion with its use or with its demand

for community services. The net result is that one owner after another is pressured into selling his land not because of a desire for development, but rather that the maintenance of open land has become too expensive. Forcing these open lands only accelerates the vicious cycle that I have just described.

The net result of this merry-go-round is that one community after another gets into the ratable game, soliciting development only on the basis that it will add to the list of ratables without giving a consideration to whether a particular use is really an asset to the community or whether it is consistent with the principles of community planning.

In many instances the property owner would be much happier and the community far better off if much of the open land had not been forced into development. If the assessment on open land can be kept within a reasonable basis on its value as open land the community development will be encouraged to take place on a more rational basis. Municipal operating costs can be held to a minimum because growth can be planned to take place in those areas where it is more economical to service. The overall effect of this will be lower operating costs to the community and lower tax rate to the citizens.

So far I have confined my remarks to only the direct financial benefits that can be gained from this kind of revision and on other benefits -- Living in a densely populated state as we are, the effects of open, green spaces takes on a real value to all of our citizens. I hasten to say that the value is difficult to measure in dollars and cents, however, biologists, community planners, and urban sociologists are quick to point out that without large areas of open land filled with natural vegetation that most of our environment, which is the air we breath and the water we drink, would deteriorate rapidly.

It is difficult for me to visualize how government on levels would acquire the necessary amount of open spaces in order to insure the environmental basis for our densely populated urban areas. The only answer seems to be to encourage the private land owner to maintain his land in an undeveloped state particularly in the northwestern portion of our state.

In Warren County agriculture now forms a large part of the economic base, however, figures show that changes are occurring in agriculture which are pertinent to this bill. During the past decade, we have seen the total number of operating farms decrease

by approximately 18% and at the same time the total acreage in agriculture decrease by slightly less than 10%. This indicates that our farms are diminishing in number and increasing slightly in average size. The statistics indicate that we actually have a greater intensity in agriculture in certain areas and many of the smaller farms of 100 acres or less are going out of business. When this happens the owner loses the benefit of the farm assessment land program and the land is then pushed into the market place not particularly because the owner wishes, but because the tax bill is forcing the issue.

If we had an open land assessment program, as is proposed in this bill, I believe that many of these smaller farms could be retained in a non-farm open land use which would be of benefit to our communities, and county, and ultimately our entire state.

Before I close, I would suggest that the sponsors of this legislation considers an amendment which would change the number of acres required from 2 acres to 5 acres. With this change I believe the bill would be a significant contribution to the citizens of New Jersey. I urge this committee to evaluate all of the testimony presented and make

recommendation to your colleagues in the legislature for a speedy enactment for a comprehensive tax revision law.

Thank you.

CHAIRMAN JOHNSON: Are there questions?

MR. HAINES: No questions.

MR. GUNTSCH: No.

CHAIRMAN JOHNSON: All right. Thank you.

Mr. Robert Shearn of Piscataway Township -- he was called before.

Now, that completes the list of registrations. Is there anyone in the room who has not said anything yet and who wishes to make a statement? Is there anyone who has made a statement and who wishes to extend his remarks?

MR. MARTINEZ: I would like to extend some comments to Mr. Haines.

MR. HAINES: Yes.

MR. MARTINEZ: You brought up this thing about revaluation in High Bridge, and actually, it has been completed. With the few who are really -- there's been quite a furor, and the fact that this has been put off and put off for planning and zoning, as I mentioned. I went along with this for about two years, because I was an individual, and I went

down to the council from time to time and inquired what happened to the revaluation, what was being put off for planning and zoning. So finally I asked them questions, and they sounded a little crazy, so I started checking them out. And I wrote to the State, and I didn't even know who to write to at that point. At this point I am completely ignorant about everything. However, ignorance is not stupidity. So, I wrote to the State Board of Taxes. There is no such animal. It was channeled down to the Property Tax Bureau. I had correspondence back and forth with them. And to keep it short, I don't want to take up too much time, it boiled down to where I finally wrote a letter of -- in which he sent me a book by the way, about that thick, and when I was sitting, watching television, and this paragraph jumped out of the book. At this point, mind you we never had a valuation, and I am inquiring as to why this isn't being done, and completely ignorant of the law. But I found in -- when people have inquiries and complaints by individual taxpayers with regard to exemptions, and served directly by the Bureau or by persons from the governor's office or other state agencies, this is underlined for Mr. Hart's benefit, the subject where these complaints are properly and carefully

investigated. This includes examination of public records and the property involved by discussion with local officials and tax payers. Every effort is made to inform taxpayers of the applicable laws and the facts.

Now, I sent this to Mr. Hart, and with the happy thought that they were going to send some state man to look the situation over. In response to this, I got this letter here from Mr. Hart which was very short and very sweet. This is to acknowledge your most recent letter relative to your dissatisfaction with the assessed valuations placed on the properties in the Borough of High Bridge. We have advised you of the applicable laws and procedures whereby you and other tax payers were dissatisfied based on the properties, and they seek relief. We cannot see that any continuance of this correspondence will serve any good purpose.

So the door was slammed. So I wrote to the Attorney General. The Attorney General writes me back and tells me to get a lawyer. Now, at this point I am pretty upset. So I sat down and I wrote this letter.

Gentlemen, your complete rejection in a matter that appalls -- it's appalling and inexcuseable.

I am going to try to get all the injured parties to contribute to the fund for local counties. At the same time I intend to get signatures and inquire as to just what are the functions of your respective offices. This is not a personal matter between two individuals. This is a situation imposed on a large number of citizens by local government. I presently seem to have some interest at the county level.

Now, however, if that fails and the matter is not straightened out at the government level, then I am going to see that it can be induced to put up poorer resources for council. And when this takes place, I will include your letters of rejection. No wonder there are militant groups to cause so much trouble to complete this interest of governments and the legitimate complaints to invite such activities.

I won't trouble you people any further, and you don't have to respond. However, as representatives of the government, your lack of interest has cost a lot of people of this town to wonder why taxpayer's money --

CHAIRMAN JOHNSON: What's the date of that letter?

MR. MARTINEZ: The 20th, 1970.

CHAIRMAN JOHNSON: 1970?

MR. MARTINEZ: Seventy.

CHAIRMAN JOHNSON: Has there been any response?

MR. MARTINEZ: Well, this is where it all started, you see. And as I said, when I wrote a petition and I was mad enough. So then I was told I might get in trouble, because I'm soliciting funds without a license, and so I consulted an attorney, and there was that possibility. So that is when I got a group together and we formed a committee and association and we became incorporated.

So that's it. The only thing I am saying, I am trying to impress, and I must comment that your interest, and it's been a long session, your interest is really rewarding, and I expected to come down and see a lot of hoohums, but everyone seems to be very interested.

CHAIRMAN JOHNSON: Well, we are all taxpayers.

MR. MARTINEZ: I understand this. We are in High Bridge, too. But we are down here. So, I wish to thank you, anyway.

CHAIRMAN JOHNSON: Thank you.

Now, it should be noted for the record, a

statement has been filed by Senator Norman Tanzman.

There being no further statements, this meeting is adjourned.

(At which time the hearing was adjourned.)

I, PETER C. MASSARO, Shorthand Reporter
and Notary Public of the State of New Jersey do
hereby certify that the foregoing is a true and
correct transcript of the proceedings.

Date June 22, 1971

Peter C. Massaro
Peter C. Massaro

52 CREST DRIVE
MURRAY HILL, N.J. 07974
APRIL 27, 1971

N.J. TAX POLICY COMMITTEE:
TRENTON, N.J.

ATTN: MR. W.C. JOHNSON:

I AM SUBMITTING THE FOLLOWING QUESTIONS
FOR PUBLIC HEARING OF TASK FORCE C TO BE CONDUCT-
ED AT NEW BRUNSWICK, TUESDAY MAY 4, 1971.

QUESTIONS

1. WHY IS INDUSTRY EXEMPT FROM PAYING N.J. SALES
TAXES?

2. WHY ISN'T VACANT LAND ASSESSED AT FULL
TRUE VALUE (MARKET VALUE)?

3. WHY COMMERCIAL AND INDUSTRIAL PROPERTY
ARE NOT ASSESSED AT SAME LEVEL AS RESIDENTIAL
PROPERTY?

4. WHY DOES THE STATE PAY EXCESSIVE PRICES
ON HIGHWAY CONDEMNATION AND NOT ACCORDING
TO THE ASSESSED VALUES ON TAX ROLLS.

5. WHY ALL COUNTIES ARE NOT ON A UNIFORM
100% ASSESSMENT?

6. WHY DOESN'T THE STATE ABOLISH SCHOOL AID
BASED ON RATIOS INSTEAD OF A MORE EQUITABLE
METHOD?

7. WHY ARE MEMBERS OF COUNTY TAX APPEAL BOARDS
APPOINTED ON POLITICAL BASIS INSTEAD OF STATE
LICENSED QUALIFICATION?

VERY TRULY YOURS,

JOHN PASIECZNIK

COUNTY PLANNING OFFICE

WARREN COUNTY

BELVIDERE, NEW JERSEY 07823

RUSSELL A. MILES
PLANNING DIRECTOR



PHONE 201-475-5361
EXT. 236

May 4, 1971

A Statement to the New Jersey Tax Policy Committee

Task Force C

My name is Russell A. Miles and my address is Box 282B,
R. D. 2, Phillipsburg, New Jersey, 08865.

I appreciate the opportunity to express my views relative to the proposed property tax revision in New Jersey, particularly Assembly Bill Resolution Number 2024, sponsored by Assemblywomen Fenwick, Margetts, Assemblymen Schluter, Ewing, Kean and Haeling.

I am not going to reiterate all of the many reasons of why a property tax revision in New Jersey is essential. I will, however, confine my remarks to the property tax as a function of municipal and regional planning inasmuch as I am presently Planning Director for Warren County, and have been actively engaged in the field of community planning for the past 12 years. I feel that I have observed firsthand some of the problems that our present tax system has engendered.

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Some of this open land exists in a public ownership, but a large and more significant portion is open land because it is the desire of the property owner. The property owner however is frequently confronted with a municipal tax policy which is discouraging ~~the~~ him to retain the land in an undeveloped state.

Municipalities all over the state are faced with the problem of rising operating costs, largely school costs. As a result, under the present tax structure the assessment of open land is increased far out of proportion with its use or with its demand for community services. The net result is that one owner after another is pressured into selling his land not because of a desire for development, but rather that the maintenance of open land has become too expensive. Forcing these open lands only accelerates the vicious cycle that I have just described.

The net result of this merry-go-round is that one community after another gets into the ratable game, soliciting development only on the basis that it will add to the list of ratables without giving a consideration to whether a particular use is really an asset to the community or whether it is consistent with the ~~problems~~^{principles} of community planning.

In many instances the property owner would be much happier and the community far better off if much of the open land had not been forced into development. If the assessment on open land can be kept within reason based on its value as open land the community development will be encouraged to take place on a more rational basis. Municipal operating costs can be held to a minimum because growth can be planned to take place in those areas where it is more economical to service. The overall effect of this will be lower operating costs to the community and lower tax rate to the citizens.

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Before I close, I would suggest that the sponsors of this legislation consider an amendment which would change the number of acres required from 2 acres to 5 acres. With this change I believe the bill would be a significant contribution to the citizens of New Jersey. I urge this committee to evaluate all of the testimony presented and make recommendation to your colleagues in the legislature for a speedy enactment for a comprehensive tax revision law.

BOROUGH OF SWEDESBORO

SWEDESBORO, NEW JERSEY 08085

(609) 467-0202

April 20, 1971

Mr. Leonard C. Johnson
Chairman, Task Force C
New Jersey Tax Policy Committee
134 West State Street
Trenton, New Jersey 08625

Dear Mr. Johnson:

I regret that I was unable to attend your recent public hearing in Camden, but would appreciate a few moments of your time as I express my views on tax-exempt property.

As mayor of this Gloucester County community of some 2200 residents, I am concerned about the great amount of tax exempt property existing here.

In addition to three schools (two public and one parochial) serving Swedesboro and the surrounding farming area in Woolwich Township, we also have nine tax-exempt church properties. (Properties owned by nine churches)

I am a church member (Trinity Episcopal) so obviously am not anti-church. My own church, for example, has four structures which are tax-exempt: the main edifice, a parish house for church school sessions, the rectory and a dwelling for the sexton.

Our tax books show a very conservative valuation of almost \$500,000 on properties of all nine churches in town. The true valuation would be several times this total.

I personally believe, and respectfully request your committee's consideration, that a limitation be placed on the types of church properties that would be free of taxation; that exemptions, for example, be limited to the main edifice and to church school buildings, with housing for the clergy, sextons and other personnel being placed on a tax-paying basis.

It is true, under such a limitation, that all church members would have to ante up more money when the collection plate is passed, but such an arrangement would certainly be more fair to the entire community.

Also, I strongly feel that properties owned by fraternal organizations should be assessed and taxed on the same basis as residential, commercial and other properties.

Yours very sincerely,

Robert H. J. Dunn
Robert H. J. Dunn, Mayor

RECEIVED APR 22 1971

ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS
Washington, D.C. 20575

John Shannon
Assistant Director, Taxation and Finance
Advisory Commission on Intergovernmental Relations^{1/}

CIRCUIT-BREAKERS AS A MEANS OF PUTTING A CEILING ON PROPERTY TAXES

A willingness to protect the weak stands out as one of the true marks of a civilized society. A practical manifestation of this concern can be found in a public insistence that its tax collectors not be allowed to impose extraordinary burdens on the poor.

Before this idealism can be translated into law, however, State legislators need answers to several tough questions. I shall attempt to answer the questions most frequently raised when the subject of property tax ceilings comes under serious consideration.

What economic yardstick should be used in determining a family's need for property tax relief?

In my judgment, the case for residential property tax will ordinarily hinge on only one factor--the size of the bite that the property tax takes out of the family's annual income. Admittedly, there are secondary considerations--for example, the value of the residence can not be totally ignored. Even when two income situations are identical, the public ordinarily will not be so quick to extend property tax relief to an elderly lady living in a great mansion as to one living in a modest home. But this is the exceptional case that can

^{1/}Remarks made before the Graduate School of Public Affairs, Institute of Governmental Research, University of Washington and the Washington State Department of Revenue, October 10, 1970, at the University Tower Hotel, Seattle, Washington.

be easily handled when drafting property tax relief legislation.

The central point is this--in our modern urban society the annual flow of money income into the household ordinarily represents the most precise measure of ability to pay taxes. Yet the property tax has its roots in a rural society where the value of a family's physical holdings--land and buildings--serves as the single best measure of taxable capacity.

The problems caused by clinging to this outmoded view of taxable capacity are clearly reflected in the hardships that the payment of residential property taxes imposes on low income households. With retirement, the flow of income drops sharply and a \$300 a year property bill that once could be taken in stride becomes a disproportionate claim on the income of an elderly couple living on a pension of \$1,500. Similarly, if the flow of income falls sharply as a result of the death or physical disability of the breadwinner, or due to unemployment, then again payment of the residential property tax can become an extraordinary tax burden. It can consume as much as 50 percent of a household's meager income (table II).

Thousands of homeowners, mostly elderly, are forced each year to liquidate part of their assets or endure real privation in order to pay the local tax on shelter. It is a bitter commentary on our youth-oriented society when the many elderly persons are forced through the property tax wringer in order to finance the education of the young.

How do we know when a tax burden is truly extraordinary in relation to household income?

Available evidence suggests that the average urban household in the United States is now turning over about 4 percent of total household income to the local residential property tax collector.

Table I

REAL ESTATE TAX RELATED TO INCOME FOR NONFARM HOMEOWNER PROPERTIES,
1960 AND 1968 EST

Item	1968 est.		1960	
	Number	Percent distri- bution	Number	Percent distri- bution
Real estate tax as a % of income ^{1/}				
Total	26,500,000	100.0	22,485,146	100.0
Less than 1.0%	3,066,000	11.6	3,573,291	15.9
1.0% to 1.9%	3,940,000	14.9	4,592,195	20.4
2.0% to 2.9%	3,633,000	13.7	4,239,356	18.9
3.0% to 3.0%	2,611,000	9.8	3,043,484	13.5
4.0% to 4.9%	3,818,000	14.4	2,028,333	9.0
5.0% to 7.4%	4,641,000	17.5	2,465,970	11.0
7.5% to 9.9%	1,721,000	6.5	913,631	4.1
10.0% or more	3,070,000	11.6	1,628,886	7.2
Median (percent)	4.0	--	2.7	--

^{1/} Income of owner and relatives living with him.

Source: U.S. Bureau of the Census. U.S. Census of Housing, 1960, Vol. V,
and unpublished data. 1968 data estimated by ACIR staff.

When viewed against this background--an average household burden of 4 percent--I believe we could muster widespread support for the general conclusion that any residential property tax payment in excess of 10 percent of total household income would represent a truly extraordinary tax burden. If we use this tough 10 percent standard--2-1/2 times the average burden--we estimate that approximately three million householders will be found in this excessive property tax burden category.

Let me emphasize, however, that this 10 percent test is by no means the last word on the subject. Average property tax burdens

vary widely from one State to another. According to our calculations, a Seattle family with a \$10,000 income is turning over approximately \$300 or 3 percent of total money income to the residential property tax collector. Thus, it might be argued that any family in this State that must pay out more than 6 or 7 percent of its income is carrying an excessive burden and is therefore entitled to tax relief on that part of the tax payment in excess of 6 percent.

The important point to note here is that it is possible to obtain a fairly accurate picture of the average family burden, either on a national or State basis. It is then just a question of agreeing on the maximum size of the tax bite; at what point it becomes excessive in relation to the family's annual income.

Has any State adopted this "circuit-breaker" approach as a way of coming to the aid of taxpayers confronted with tax overload situations?

Yes--to date four States have adopted this plan--Wisconsin (1963), Minnesota (1967), Vermont (1969), and most recently Kansas (1970).

The Vermont legislature has taken the position that any residential tax payment in excess of 7 percent of total family income should be deemed excessive and the State, therefore, should rebate to the taxpayer that part of the tax payment in excess of the 7 percent figure. The Minnesota "circuit-breaker" cuts off the devastating power of the residential property tax process when the burden exceeds 6 percent of household income (table II). Recent statistics on the Wisconsin plan indicate that the residential property tax burden must exceed 11 percent before State financed property tax relief aid becomes available.

As you can well imagine, very pragmatic fiscal considerations influence the decision of State legislators. In the final analysis, the amount that a State can set aside for this form of property tax

Table II
 THE "CIRCUITBREAKER" SYSTEM FOR PROTECTING LOW INCOME HOUSEHOLDS
 FROM PROPERTY TAX OVERLOAD SITUATIONS
 HOW IT WORKED IN WISCONSIN AND MINNESOTA IN 1968

Household Income Group	Number of Claims	Average Household Income	Average Property Tax*		Percent of Tax Burden Relieved	Ratio of Property Tax* to Household Income	
			Before Credit	After Credit		Before Credit	After Credit
			<u>WISCONSIN</u>				
\$0	102	\$ 0	\$333	\$151	55%	--%	--%
1 - 499	539	381	254	98	61	66	26
500 - 999	6,508	801	211	78	63	26	10
1,000 - 1,499	14,903	1,269	249	140	44	20	11
1,500 - 1,999	16,809	1,750	288	188	35	16	11
2,000 - 2,499	14,287	2,236	323	241	25	14	11
2,500 - 2,999	9,857	2,734	363	307	15	13	11
3,000 - 3,500	5,576	3,207	415	392	5	13	12

MINNESOTA

Less Than \$250	192	\$ -495	\$164	51	69%	-%	-%
\$ 250 - 499	198	434	145	38	74	33.4	8.8
500 - 749	994	652	128	39	70	19.6	6.0
750 - 999	2,108	891	136	42	69	15.3	4.7
1,000 - 1,249	2,779	1,132	143	72	50	12.6	6.4
1,250 - 1,499	3,666	1,380	151	76	50	10.9	5.5
1,500 - 1,749	3,453	1,624	160	95	41	9.9	5.8
1,750 - 1,999	3,828	1,880	167	100	40	8.9	5.3
2,000 - 2,249	3,115	2,122	179	125	30	8.4	5.9
2,250 - 2,499	2,879	2,375	182	127	30	7.7	5.3
2,500 - 2,749	2,403	2,717	190	151	21	7.0	5.6
2,750 - 2,999	2,189	2,875	194	155	20	6.7	5.4
3,000 - 3,249	1,488	3,124	200	179	10	6.4	5.7
3,250 - 3,499	1,270	3,368	215	193	6	6.4	5.7

* Includes property tax portion of rent payments.

Sources: Wisconsin Department of Revenue Research Division July 28, 1970.

Minnesota Department of Taxation, Property Tax Relief for Minnesota's Senior Citizens (Special Report) August 1970.

relief largely determines the calibration of the "circuit-breaker."

Should residential property tax relief be extended to all low income householders--the renters as well as the homeowners--and those under 65 years of age as well as to the elderly?

In our judgment, a very persuasive case can be made in behalf of the comprehensive approach--that relief should be extended to all householders carrying excessive residential property tax burdens be they renters or homeowners, young or old.

Let us look at the renter issue first. There is widespread agreement that the renter ordinarily absorbs the lion's share of the property tax paid by his landlord. For this reason, Wisconsin, Minnesota, and Vermont extend tax relief to the elderly renter as well as to the elderly homeowner. Wisconsin assumes that 25 percent of the rental payment goes for property taxes while Minnesota and Vermont use a 20 percent figure.

Most recently Kansas adopted the "circuit-breaker" type tax relief but restricted the benefits to elderly homeowners. Thus, the elderly renters are batting 750--they are entitled to property tax relief in three of the four States that now employ this sophisticated form of residential property tax relief.

Not one of the four States currently using the "circuit-breaker" approach now extends this property tax relief to those householders under 65 years of age. I believe it will be only a matter of time before this oversight is corrected. The widow with a houseful of children and the family hit by unemployment are also often forced to carry extraordinary residential tax burdens in relation to their income.

How is the "circuit-breaker" administered?

All four of the States that now use this approach have employed the same form of administration. Their tax relief plans are financed entirely from State funds and administered by the income tax divisions of their State tax departments.

To insure that only the truly needy persons would receive property tax relief, the applicants must list all forms of money income, including such sacrosanct items as social security and veterans benefits and railroad retirement payments. In view of this fact, the stark picture of regressivity depicted by the data in table II becomes even more shocking. Under the Wisconsin procedure, the applicant for homestead tax relief files a statement as a supplement to the Wisconsin State income tax return.

After audit by the Wisconsin State Income Tax Department, the eligible beneficiary receives compensation for that part of his property tax payment deemed extraordinary under Wisconsin law. The compensation takes the form of either a direct cash refund or a credit against his State income tax liability. The vast majority of applicants have such low income that they have no State income tax liability--a "negative" tax credit situation--necessitating direct cash refund in about 98 percent of the cases.

While the presence of an income tax certainly facilitates the administration of this type of tax relief program, it is by no means absolutely necessary. The legislature in a non-income tax State could direct its State tax department to process and verify the applications and authorize the refund payments. Instead of having direct

cash refunds in 98 percent of the cases--as would be the case in an income tax State--the compensation would take the form of a cash refund in 100 percent of the cases.

How much does the "circuit-breaker" cost?

The cost of this tax relief system varies with the legislative definition of extraordinary burdens. Wisconsin and Minnesota also control the cost by restricting benefits to those households with a total income of not more than \$3,500. States can also employ a second type of cost control that of limiting the size of any rebate to an amount not to exceed say \$300. By placing a ceiling on the rebate it is possible to minimize the complaints that would otherwise be triggered in coming to the aid of the property owner residing in a "mansion".

The relatively small outlay required under the Wisconsin plan is reflected by its 1968 cost data:

Cost of relief provided	\$6.1 million
Relief cost per capita	\$1.50
Relief cost as a percentage of local residential real estate levies	2.0 percent
Relief cost as a percentage of State personal income tax collections	1.5 percent
Relief cost as a percentage of total State tax collections	0.6 percent
Relief cost as a percentage of State-local tax collections	0.4 percent
Relief cost as a percentage of State-local public welfare expenditures	2.5 percent

What are the major strengths of the "circuit-breaker"?

In my estimation, the "circuit-breaker" stands out as the instrument of choice in providing property tax relief for low income households because it possesses seven highly desirable features.

First, it is most efficient because it can deliver the most tax relief "bang" for the "buck". The efficiency of the "circuit-breaker" is reflected in the remarkable transformation of a regressive tax into an essentially proportional levy at relatively modest cost to the State treasury (table II). In 1968, for example, Wisconsin aided 66,000 beneficiaries at a cost of about \$6 million--this is less than one percent of the total property tax take and, in per capita terms, it cost less than \$2 per person.

The important thing, however, is this--it extended relief to those who needed it the most, to the over 7,000 elderly householders with income less than \$1,000 who had paid out in residential taxes about 30 percent on the average of their total subsistence income. In fact, the data set forth in table II almost boggles the mind. It is difficult to conceive that in this day and age we would ever permit our tax collectors to inflict so much damage on the poor.

The second great advantage of the "circuit-breaker" is that it is a State not a locally financed program. Too often State legislators grant relief in the form of partial tax exemptions but force the local governments and the school districts to pick up the tab. Local governments and local property owners should not be forced to underwrite property tax relief because it erodes their

already precarious fiscal position and aggravates tax inequities. This is especially true in many of our metropolitan areas where the poor tend to cluster together within the same jurisdiction.

In sharp contrast, State financed property tax relief tends to reduce intergovernmental fiscal disparities between high and low income communities within the same metropolitan area albeit on an indirect basis. The mailman will deliver most of the property tax refund checks to households in the low income communities. Thus, State financed tax relief moves in the "right" equalization direction from both the interjurisdictional and the interpersonal standpoints.

Third, the "circuit-breaker" approach stands out as a dignified and humane method for extending tax relief. By lodging administrative responsibility in the State tax department, the program completely bypasses the local social welfare workers and county court house clerks. There is no more social welfare stigma attached to this form of tax relief than to the action of a Federal income taxpayer receiving some tax reduction because he had incurred extraordinary medical expenses.

Fourth, by requiring some consideration of the property taxpayer's income position, the "circuit-breaker" approach introduces a badly needed element of economic realism into the ancient property tax. As the property tax statistics derived from Wisconsin and Minnesota experience clearly reveal can not close our eyes to the property taxpayers' income situation. If the property tax is to continue to serve as a primary

source of revenue it must operate in such a way as to avoid doing violence to the concept of ability to pay. And in today's world that means taking into consideration the family's annual flow of income.

Fifth, the "circuit-breaker" approach can also aid farmers and corporations carrying extraordinary tax burdens. The adaptability of this plan is surprising; it can be used to extend aid efficiently to as few or to as many classes of property owners as the legislature deems expedient to aid. The State can provide relief to farmers and corporations as well as the the homeowners and renters. In all of these situations the neediest taxpayers in each class would receive the most help.

In fact, this virtue makes the circuit-breaker attractive to State policymakers faced with the task of selling a legislature on the need for more revenue while preventing a wholesale giveaway of the State revenue for local property tax relief. It is for this reason that a circuit-breaker for corporations is now beginning to receive some consideration in Ohio. Under one plan, authored by Professor Stocker of Ohio State University, part of the revenue derived from enactment of a State income tax would be used to aid those manufacturing firms carrying extraordinary property tax burdens. In effect, the State would credit against the State income tax that part of the firm's local tax payment that exceeded 20 percent of its taxable income. This 20 percent trigger point approximates national experience; the average corporation turns over to the local property tax collectors an amount equal to about 20 percent of its net income.

Similarly, the circuit-breaker principle can be extended to the farmers' property tax payments. Again, it is a question of ascertaining the point at which the burden is deemed by the legislature to become extraordinary. On a nationwide basis, farmers turn over about 14 percent of their income to the property tax collector.

Sixth, the circuit-breaker approach can provide timely aid. Contrary to widespread belief aid can be immediate and therefore timely. The eligible elderly homeowner does not have to pay the bill first and then wait until the next year to file an income tax return and claim a rebate. In Wisconsin, as soon as the tax bill arrives, the elderly homeowner can file for the tax rebate thereby permitting the State aid to be extended in time to shield the taxpayer from the actual blow.

Seventh, the circuit-breaker relieves pressure on assessors to grant hardship relief. Compassion for human suffering runs strong in the circulatory system of assessors particularly the elected variety. They have a tendency to look at property not merely as an object of value but with reference to who owns it. Most of us would do the same if we were charged with the assessment task. The circuit-breaker promotes tax equity in a way that is legal and does not interfere with the orderly and impartial valuation process that is necessary if property is to be assessed fairly.

What are the major objections to the circuit-breaker?

There are at least five objections that must be analyzed.

Allegation: Tax relief for the elderly homeowner provides unwarranted aid to the children who will inherit the property.

Comment: Those who hold this point of view ordinarily have some plan for recovering at the death of the homeowner the amount of tax relief extended by the State. Oregon's tax deferral plan immediately comes to mind. Many elderly persons, however, would accept almost total privation before allowing a tax lien to be attached to their home place.

Moreover, it is becoming increasingly repugnant to the public to force the liquidation of an estate in order to pay property taxes--even if the liquidation is held off until the death of the benefitted homeowner. In the final analysis we must accept the fact that the value of a man's home must be viewed as a rough yardstick of his (not his children's) ability to pay taxes out of current income. When this is demonstrably not the case the homeowner should be entitled to unconditional relief.

Allegation: Tax relief for the elderly can enable a homeowner to hold his property off the market thereby working against the highest and best use of land.

Comment: This is a classic example of trying to frame public policy so as to fit the exceptional situation and in the process deny relief to a substantial body of taxpayers carrying extraordinary burdens.

Moreover, this objection vastly overstates the effect and a tax rebate of a couple of hundred dollars can have on a person's decision either to sell or to hold the homestead.

Public policy should be framed to aid the 99 percent who are truly overburdened. If in the process some real estate developer is forced to pay an elderly lady a little more for her property than would otherwise be the case, only the ghost of Henry George will be troubled.

Allegation: This circuit-breaker approach makes welfare operators out of our State tax collectors.

Comment: Recent State experience clearly indicates that this approach represents the most efficient and dignified way to administer a local property tax relief program.

Allegation: The circuit-breaker plan does not cure the real disease--poverty.

Comment: Those who take this position urge the government (meaning the Federal establishment) to eradicate poverty directly by raising the income level of the poor through some type of a new multi-billion income support program. In theory the idea may be very sound but what should we do until the doctor comes? The task right now is to make sure that government does not impose extraordinary burdens on the poor.

Allegation: State financed property tax relief might encourage local officials to adopt reckless spending policies.

Comment: The relationship of local fiscal responsibility and the circuit-breaker is tenuous, at best. Confronted with burgeoning program demands, no State legislature is likely to provide relief generous enough to relieve low income families of all property tax liability. This contention also overlooks the fact that most taxpayers will be paying property taxes without benefit of circuit-breaker type relief and will continue to exert a powerful restraint on local budget expansion.

Summary

In summary, the "circuit-breaker" approach provides significant local property tax relief at modest State cost to those who need it the most, without disrupting the regular property tax system. It is thus to be distinguished from the more common kind of "homestead exemption", which may reduce the official tax base considerably, provide a benefit to high-income homeowners as well as others, and afford no relief to householders living in rented homes.

More important, the "circuit-breaker" approach introduces a badly needed element of modern economic realism and social justice into the administration of the property tax. In effect, the adoption of this plan can insure that the ancient property tax will no longer be allowed to do gross violence to our contemporary concept of ability to pay as determined by the taxpayer's annual income.

Table III

STATE FINANCED AND ADMINISTERED RESIDENTIAL PROPERTY TAX RELIEF FOR
PROTECTING LOW INCOME HOUSEHOLDS FROM PROPERTY TAX OVERLOADS
(The "Circuit-Breaker")

State	Beneficiaries Description	Income Ceiling	Tax Relief Formula	Form of Abatement and Estimated Per Capita Cost	Date of Adoption	Statutory Citation
Wisconsin	Homeowners & renters 65 & older	\$ 3,700	See footnote 1/	State income tax credit or rebate Cost--\$1.50 (1968)	1963	Chap. 71, Sec. 71.09(7)
Minnesota	Homeowners & renters age 65 & older	\$ 3,500	Relief ranges from 75% of tax payment if household income is under \$500 to 10% if family income is between \$3,000 and \$3,499	State income tax credit or rebate Cost--\$0.50 (1968) (This aid is in addition to a general State-financed property tax relief that approximates 35% of the homeowner's tax bill)	1967	Chap. 290, Sec 290.0601 et se
California	Homeowners age 65 & older; no relief for renters	\$ 3,350	Relief ranges from 95% of tax payment if household income is less than \$1,000 to 1% of tax payment if household income is \$3,350	State rebate only Cost--\$0.40 (1969)	1967	Revenue & taxation code Div. E., Sec. 19501 et seq
Vermont	Homeowners & renters age 65 & older	Not explicit	Relief limited to that part of tax payment in excess of 7% of household income times a local rate factor that varies by tax rate of local community ^{2/}	State income tax credit or rebate Cost--\$1.25 (1969)	1969	H.B. 222
Kansas	Homeowners age 65 & older; no relief for renters	\$ 3,700	Same as Wisconsin tax relief formula	State income tax credit or rebate	1970	H.B. 1253

Footnotes on following page.

Table III (Concluded)

STATE FINANCED AND ADMINISTERED RESIDENTIAL PROPERTY TAX RELIEF FOR
PROTECTING LOW INCOME HOUSEHOLDS FROM PROPERTY TAX OVERLOADS
(The "Circuit-Breaker")
(concl'd)

1/ Household income--\$1,000 or less--relief ranges from 75% of amount by which property tax exceeds 3% of household income between \$500 and \$1,000; household income--over \$1,000--60% of amount by which property tax exceeds 3% of household income between \$500 and \$1,000, 6% of income between \$1,000 and \$1,500, 9% of income between \$1,500 and \$2,000, 12% of income between \$2,000 and \$2,500, and 15% of all household income over \$2,500. The maximum property tax to be used for this credit is limited to \$330.

2/ The Commissioner shall annually prepare and make available the local rate factors by arraying all municipalities according to their effective tax rate and dividing the population of the State into quintiles from such array with those having the lowest effective tax rates being in the first quintile. The local rate factors shall be as follows: first quintile, 0.6; second quintile, 0.8; third quintile, 1.0; fourth quintile, 1.2; fifth quintile, 1.4. The amount of property taxes or rent constituting property taxes used in computing the credit are limited to \$300 per taxable year.

PROPERTY TAX RELIEF FOR LOW-INCOME FAMILIES

The property tax can quickly create a disproportionate claim on a family's financial resources once retirement, the death or physical disability of the bread-winner, or unemployment reduces sharply the flow of income. Local governments as a rule have neither the legal authority nor the fiscal capacity to alleviate these potential property tax over-burden situations, but States have both. California, Kansas, Minnesota, Vermont and Wisconsin have developed an efficient tax relief mechanism designed to avoid the special hardships frequently experienced by low-income property-owners. Low-income, elderly homeowners and renters in these states either claim a credit against their State income tax liability or, if the credit exceeds their income tax liability, receive a rebate from the State for that portion of their property tax liability deemed by the legislature to be excessive in relation to their household income.¹

In a number of States, homestead exemption, a durable by-product of the 1930's depression, offers some protection from undue property tax burdens on low-income occupants of dwellings and farms. This method, however, bestows property tax relief to all homeowners, not just those with low incomes, and misses completely the low-income families in rented properties. The policy of granting homestead exemptions involves a substantial amount of injustice among individual taxpayers and taxing jurisdictions, at a large and usually unwarranted sacrifice of local property tax revenue.² If the exemption privilege is restricted to low income households and the State reimburses local governments for the cost of this program, the more obvious defects of the exemption approach could be minimized. It is not, however, flexible enough to alleviate extraordinary property tax burdens that may be experienced indirectly by low income households in rented quarters.

To the extent that landlords can shift the property tax to tenants, low income households in rented quarters also feel the pinch of extraordinary property tax burdens in relation to current income. Minnesota, Vermont and Wisconsin have recognized this by establishing a percentage of gross rent as rent constituting property taxes accrued. This percentage serves as the property tax equivalent which renters may use in claiming income tax credit or rebate.

As a means of preventing fiscal overburdens, the tax credit-tax rebate technique has unique advantages. Because this tax relief program is financed from State funds and administered by a State agency, it neither erodes the local tax base nor interferes in any way with the local assessment or rate-setting processes. It can be designed to maximize the amount of aid extended to low-income homeowners and renters while minimizing loss of revenue. It operates in the "right" direction from both inter-jurisdictional and inter-personal standpoints; because the poor tend to be clustered together, the major portion of the relief will redound to the benefit of low-income households and low-income communities.

The suggested legislation contains three alternative methods of determining an extraordinary property tax burden. One alternative uses the Vermont method of defining the extraordinary burden as the amount in excess of a specified percentage of household income. A second alternative uses the Minnesota method where the extraordinary burden is defined as a specified percentage (depending upon income size) times the property tax paid. A third alternative is designed to reflect differences in extraordinary burdens that stem from variations in size of family. Under this alternative, the claimant's extraordinary burden is the amount that exceeds a specified number times the liability the claimant would have if he calculated his State personal income tax liability using total household income as defined in this bill less personal and dependents allowances provided in the State income tax law. Two States specify \$300 as the maximum amount of the property taxes or rent constituting property taxes that can be used in claiming the credit.

¹Except that in the State of California, State rebate only applies.

²Advisory Commission on Intergovernmental Relations, *The Role of the States in Strengthening the Property Tax* (Washington, D.C., 1963).

For purposes of this legislation, income means not only income as defined for income tax purposes but also social security, pension and annuity payments, nontaxable interest, workman's compensation, and the gross payment of "loss of time" insurance. To protect the State against "doubling-up" on the charge against public funds, any person who is a recipient of public funds for the payment of taxes or rent during the period for which the claim is filed may not claim tax relief under the act.

The following suggested legislation is patterned after the Wisconsin, Minnesota, and Vermont statutes. Language has been included (alternative Section 5) that would provide an outright rebate to those who qualify in States without a personal income tax that desire to grant this type of relief.

Suggested Legislation

[Title should conform to state requirements. The following is a suggestion: "An Act to Reimburse Low-Income Householders for Extraordinary Property Tax Burdens.]

(Be it enacted, etc.)

1 **Section 1. Short Title.** This act may be cited as the "Extraordinary Tax Relief Act."

2 **Section 2. Purpose.** The purpose of this act is to provide relief, through a system of income tax
3 credits and refunds and appropriations from the general fund, to certain persons who own or rent their
4 homestead.

5 **Section 3. Definitions.** As used in this act:

6 (1) "Income" means the sum of federal adjusted gross income as defined in the Internal Revenue
7 Code of the United States, the amount of capital gains excluded from adjusted gross income, alimony,
8 support money, nontaxable strike benefits, cash public assistance and relief (not including relief granted
9 under this act), the gross amount of any pension or annuity (including railroad retirement benefits, all
10 payments received under the federal social security act, State unemployment insurance laws, and
11 veterans disability pensions), nontaxable interest received from the Federal Government or any of its
12 instrumentalities, workman's compensation, and the gross amount of "loss of time" insurance. It does
13 not include gifts from nongovernmental sources, or surplus foods or other relief in kind supplied by a
14 governmental agency.

15 (2) "Household" means a claimant and spouse.

16 (3) "Household income" means all income received by all persons of a household in a calendar
17 year while members of the household.

18 (4) "Homestead" means the dwelling, whether owned or rented, and so much of the land sur-
19 rounding it, not exceeding one acre, as is reasonably necessary for use of the dwelling as a home, and
20 may consist of a part of a multi-dwelling or multi-purpose building and a part of the land upon which
21 it is built. ("Owned" includes a vendee in possession under a land contract and of one or more joint

1 tenants or tenants in common.) It does not include personal property such as furniture, furnishings or
2 appliances, but a mobile home may be a homestead.

3 (5) "Claimant" means a person who has filed a claim under this act and was domiciled in this
4 state during the entire calendar year preceding the year in which he files claim for relief under this
5 act. In the case of claim for rent constituting property taxes accrued, the claimant shall have rented
6 property during the entire preceding calendar year in which he files for relief under this act and shall
7 have occupied the same residence quarters for at least six months of the preceding calendar year.
8 When two individuals of a household are able to meet the qualifications for a claimant, they may de-
9 termine between them as to who the claimant shall be. If they are unable to agree, the matter shall
10 be referred to the [tax commissioner] and his decision shall be final. If a homestead is occupied by
11 two or more individuals, and more than one individual is able to qualify as a claimant, and some or all
12 the qualified individuals are not related, the individuals may determine among them as to who the
13 claimant shall be. If they are unable to agree, the matter shall be referred to the [tax commissioner],
14 and his decision shall be final. If a homestead is occupied by two or more individuals, and more than
15 one individual is able to qualify as a claimant, and some or all the qualified individuals are not related,
16 the individuals may determine among them as to who the claimant shall be. If they are unable to
17 agree, the matter shall be referred to the [tax commissioner], and his decision shall be final.

18 (6) "Rent constituting property taxes accrued" means [20 or 25]¹ percent of the gross rent
19 actually paid in cash or its equivalent in any calendar year by a claimant and his household solely for
20 the right of occupancy of their (name of state) homestead in the calendar year, and which rent con-
21 stitutes the basis, in the succeeding calendar year, of a claim for relief under this act by the claimant.

22 (7) "Gross rent" means rental paid solely for the right of occupancy (at arms-length) of a home-
23 stead, exclusive of charges for any utilities, services, furniture, furnishings or personal property ap-
24 pliances furnished by the landlord as a part of the rental agreement, whether or not expressly set out
25 in the rental agreement. If the landlord and tenant have not dealt with each other at arms-length, and
26 the [tax commissioner] is satisfied that the gross rent charged was excessive, he may adjust the gross
27 rent to a reasonable amount for purposes of this act.

28 (8) "Property taxes accrued" means property taxes (exclusive of special assessments, delinquent
29 interest, and charges for service) levied on a claimant's homestead in this State in [calendar year] or
30 any calendar year thereafter. If a homestead is owned by two or more persons or entities as joint
31 tenants or tenants in common, and one or more persons or entities are not a member of claimant's
32 household, "property taxes accrued" is that part of property taxes levied on the homestead which
33 reflects the ownership percentage of the claimant and his household. For purposes of this paragraph

¹Twenty percent used in Minnesota and Vermont; 25 percent in Wisconsin.

1 property taxes are "levied" when the tax roll is delivered to the local [treasurer] for collection. If a
 2 claimant and spouse own their homestead part of the preceding calendar year and rent it or a different
 3 homestead for part of the same year, "property taxes accrued" means only taxes levied on the home-
 4 stead when both owned and occupied by the claimant at the time of the levy, multiplied by the per-
 5 centage of 12 months that such property was owned and occupied by the household as its homestead
 6 during the preceding year. When a household owns and occupies two or more different homesteads in
 7 this State in the same calendar year, property taxes accrued shall relate only to that property occupied
 8 by the household as a homestead on the levy date. If a homestead is an integral part of a larger unit
 9 such as a farm, or a multi-purpose or multi-dwelling building, property taxes accrued shall be that per-
 10 centage of the total property taxes accrued as the value of the homestead is of the total value. For pur-
 11 poses of this paragraph "unit" refers to the parcel of property covered by a single tax statement of which
 12 the homestead is a part.

13 *Section 4. Claim is Personal.* The right to file claim under this act shall be personal to the
 14 claimant and shall not survive his death, but such right may be exercised on behalf of a claimant by his
 15 legal guardian or attorney-in-fact. If a claimant dies after having filed a timely claim, the amount
 16 thereof shall be disbursed to another member of the household as determined by the [tax commis-
 17 sioner]. If the claimant was the only member of his household, the claim may be paid to his executor
 18 or administrator, but if neither is appointed and qualified within 2 years of the filing of the claim, the
 19 amount of the claim shall escheat to the state.

20 *Section 5. Claim as Income Tax Credit or Rebate.* Subject to the limitations provided in this
 21 act, a claimant may claim in any year as a credit against [name of State] income taxes otherwise due
 22 on his income, property taxes accrued, or rent constituting property taxes accrued, or both in the
 23 preceding calendar year. If the allowable amount of such claim exceeds the income taxes otherwise
 24 due on claimant's income, or if there are no [state] income taxes due on claimant's income, the amount
 25 of the claim not used as an offset against income taxes, after audit [or certification] by the [tax commis-
 26 sioner], shall be paid to claimant from balances retained by the [treasurer] for general purposes. No
 27 interest shall be allowed on any payment made to a claimant pursuant to this act.¹

28 [Alternative Section 5 for States not imposing a personal income tax. *Claim as Rebate From*
 29 *State Funds.* Subject to the limitations provided in this act, a claimant may claim in any year a rebate
 30 for property taxes accrued or rent constituting property taxes accrued or both in the preceding year.
 31 The amount of the rebate, after audit or certification by the [tax commissioner] shall be paid to
 32 claimant from balances retained by the [treasurer] for general purposes.]

1 *Section 6. Filing Date.* No claim with respect to property taxes accrued or with respect to rent
2 constituting property taxes accrued shall be paid or allowed, unless the claim is actually filed with and
3 in the possession of the [tax department] on or before [date for filing initial claim]. Subject to the
4 same conditions and limitations, claims may be filed on or before (income tax filing date or other
5 specified date) with respect to property taxes accrued of the next preceding calendar year.

6 *Section 7. Satisfaction of Outstanding Tax Liabilities.* The amount of any claim otherwise pay-
7 able under this act may be applied by the [tax department] against any liability outstanding on the
8 books of the department against the claimant, or against his or her spouse who was a member of the
9 claimant's household in the year to which the claim relates.

10 *Section 8. One Claim Per Household.* Only one claimant per household per year shall be en-
11 titled to relief under this act.

12 *Section 9. Computation of Credit.* The amount of any claim made pursuant to this act shall
13 be determined as follows:

14 (1) (based on Vermont statute) For any taxable year, a claimant shall be entitled to a credit
15 against his tax liability equal to the amount by which the property taxes or rent constituting prop-
16 erty taxes upon the claimant's homestead for the taxable year exceeds [7] percent of the claimant's
17 total household income for that taxable year.

OR

18 (1) (based on Minnesota statute) For any taxable year, a claimant shall be entitled to credit
19 in accordance with the following schedule:

<i>Income Range</i>	<i>Percent of Property Taxes</i>
0 – 499	(75) percent
500 – 999	(70) percent
1,000 – 1,499	(50) percent
1,500 – 1,999	(40) percent
2,000 – 2,499	(30) percent
2,500 – 2,999	(20) percent
3,000 – 3,499	(10) percent

OR

20 (1) (To reflect family size) For any taxable year, a claimant shall be entitled to a credit against
21 his State personal income tax liability equal to the amount by which property taxes or rent constituting
22 property taxes upon the claimant's homestead for the taxable year is in excess of [2] times the amount
23 of the claimant's "recomputed State personal income tax liability." "Recomputed State personal in-
24 come tax liability" for purposes of this act means the amount obtained by applying the appropriate

1 State income tax rates to the result obtained by subtracting the claimant's personal exemption and de-
2 pendent allowances as set forth in the State personal income tax statute from the claimant's total house-
3 hold income as defined in Section 3.

4 (2) In any case in which property taxes accrued, or rent constituting property taxes accrued, or
5 both, in any one year in respect of any household exceeds [\$300¹], the amount thereof shall, for pur-
6 poses of this act, be deemed to have been [\$300¹].

7 (3) The [tax commissioner] shall prepare a table under which claims under this act shall be de-
8 termined. The table shall be published in the department's official rules and shall be placed on the ap-
9 propriate tax blanks. The amount of claim as shown in the table for each bracket shall be computed
10 only to the nearest 10 cents.

11 (4) The claimant, at his election, shall not be required to record on his claim the amount claimed
12 by him. The claim allowable to persons making this election shall be computed by the department,
13 which shall notify the claimant by mail of the amount of his allowable claim.]

14 *Section 10. Administration.* The [tax commissioner] shall make available suitable forms with
15 instructions for claimants, including a form which may be included with or as part of the individual
16 income tax blank. The claim shall be in such form as the [tax commissioner] may prescribe.

17 *Section 11. Proof of Claim.* Every claimant under this act shall supply to the [department of
18 taxation], in support of his claim, reasonable proof of rent paid, name and address of owner or man-
19 aging agent of property rented, property taxes accrued, changes of homestead, household member-
20 ship, household income, size and nature of property claimed as the homestead and a statement that the
21 property taxes accrued and used for purposes of this act have been or will be paid by him and that
22 there are no delinquent property taxes on the homestead.

23 *Section 12. Audit of Claim.* If on the audit of any claim filed under this act the [tax commis-
24 sioner determines the amount to have been incorrectly determined, he shall redetermine the claim
25 and notify the claimant of the redetermination and his reasons for it. The redetermination shall be
26 final unless appealed within 30 days of notice.

27 *Section 13. Denial of Claim.* If it is determined that a claim is excessive and was filed with
28 fraudulent intent, the claim shall be disallowed in full, and, if the claim has been paid or a credit has
29 been allowed against income taxes otherwise payable, the credit shall be canceled and the amount
30 paid may be recovered by assessment (as income taxes are assessed), and the assessment shall bear in-
31 terest from the date of payment or credit of the claim, until refunded or paid, at the rate of one per-

¹ \$600 in Minnesota.

1 cent per month. The claimant in such case, and any person who assisted in the preparation or filing
 2 of such excessive claim or supplied information upon which such excessive claim was prepared, with
 3 fraudulent intent, is guilty of a misdemeanor. If it is determined that a claim is excessive and was
 4 negligently prepared, 10 percent of the corrected claim shall be disallowed, and if the claim has been
 5 paid or credited against income taxes otherwise payable, the credit shall be reduced or canceled, and
 6 the proper portion of any amount paid shall be similarly recovered by assessment (as income taxes
 7 are assessed), and the assessment shall bear interest at one percent per month from the date of pay-
 8 ment until refunded or paid.

9 *Section 14. Rental Determination.* If a homestead is rented by a person from another person
 10 under circumstances deemed by the [tax commission] to be not at arms-length, he may determine
 11 rent constituting property taxes accrued as at arms-length, and, for purposes of this act, such deter-
 12 mination shall be final.

13 *Section 15. Appeals.* Any person aggrieved by the denial in whole or in part of relief claimed
 14 under this act, except when the denial is based upon late filing of claim for relief [or is based upon a
 15 redetermination of rent constituting property taxes accrued as at arms-length] may appeal the denial
 16 to the [appropriate state agency] by filing a petition within 30 days after such denial.

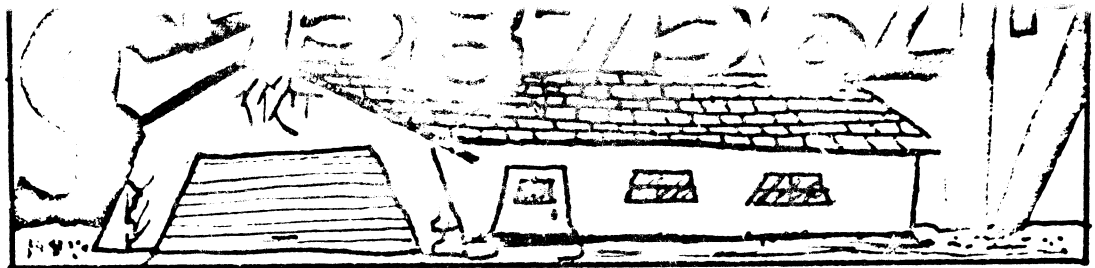
17 *Section 16. Public Welfare Recipients Excluded.* No claim for relief under this act shall be al-
 18 lowed to any person who is a recipient of public funds for the payment of the taxes or rent during
 19 the period for which the claim is filed.

20 *Section 17. Disallowance of Certain Claims.* A claim shall be disallowed, if the department
 21 finds that the claimant received title to his homestead primarily for the purpose of receiving benefits
 22 under this act.

23 *Section 18. Extension of Time for Filing Claims.* In case of sickness, absence, or other disabil-
 24 ity, or if, in his judgement, good cause exists, the [tax commissioner] may extend for a period not to
 25 exceed six months the time for filing a claim.

26 *Section 19. Separability* [Insert separability clause].

27 *Section 20. Effective date.* [Insert effective date].



**Advisory commission on intergovernmental relations,
Washington, D.C. 20575**

A Circuit-Breaker on Property Tax Overload

Property taxation, as it is administered in communities across the Nation, often forces the elderly into real privation to finance the education of the young. The Advisory Commission on Intergovernmental Relations recommends an approach to relieve individuals of excessive tax burdens while not heaping new fiscal burdens on localities. The idea has been translated into model legislation which is available on request from the Commission.

The INTERGOV proposal is similar in principle to the circuit-breaker that prevents electrical overload. By means of tax credits and rebates, it protects the poor from tax overload without disrupting the flow of revenue from those able to pay. It is State financed to maintain the fiscal solvency of local governments and State administered to promote the greatest efficiency, provide the widest base, and maintain the dignity of the recipients. Four States have adopted it since 1963 and a

fifth uses a variant of the same principle. Several other States have the circuit-breaker under serious consideration.

The average urban household pays about 4 percent of its income for the local residential property tax. But there are more than 3 million households that pay 10 percent or more, 2.5 times the average. And low-income families in substantial numbers turn over as much as 50 percent of their meager incomes for the local tax on shelter (see Table 1).

The property tax had its roots in a rural society where the value of a family's physical holdings, land and buildings, served as the single best measure of taxable capacity. Urbanization has changed the gauge — the most precise measure now of ability to pay taxes is annual flow of money income — but not the character of the property tax, and it is still the single most important revenue source for local government.

Table 1

**REAL ESTATE TAX RELATED TO INCOME FOR NONFARM HOMEOWNER PROPERTIES,
1960 AND 1968**

Real estate tax as a percent of income ¹	1968 (estimate)		1960	
	Number	Percent distribution	Number	Percent distribution
Total	26,500,000	100.0	22,485,146	100.0
Less than 1.0	3,066,000	11.6	3,573,291	15.9
1.0 to 1.9	3,940,000	14.9	4,592,195	20.4
2.0 to 2.9	3,633,000	13.7	4,239,356	18.9
3.0 to 3.9	2,611,000	9.8	3,043,484	13.5
4.0 to 4.9	3,818,000	14.4	2,028,333	9.0
5.0 to 7.4	4,641,000	17.5	2,465,970	11.0
7.5 to 9.9	1,721,000	6.5	913,631	4.1
10.0 or more	3,070,000	11.6	1,628,886	7.2
Median (percent)	4.0	—	2.7	—

¹ Income of owner and relatives living with him.

Source: U.S. Bureau of the Census. *U.S. Census of Housing, 1960, Vol. V*, and unpublished data. 1968 data estimated by ACIR staff.

Table 2

**STATE FINANCED AND ADMINISTERED RESIDENTIAL PROPERTY TAX RELIEF FOR
PROTECTING LOW INCOME HOUSEHOLDS FROM PROPERTY TAX OVERLOADS
(The "Circuit-Breaker")**

State	Beneficiaries Description	Income Ceiling	Tax Relief Formula	Form of Abatement and Estimated Per Capita Cost	Date of Adoption	Statutory Citation
Wisconsin	Homeowners & renters age 65 & older	\$3,700	See footnote 1	State income tax credit or rebate Cost—\$1.50 (1968)	1963	Chap. 71, Sec. 71.09(7)
Minnesota	Homeowners & renters age 65 & older	\$3,500	Relief ranges from 75% of tax payment if household income is under \$500 to 10% if family income is between \$3,000 and \$3,499	State income tax credit or rebate Cost—\$0.50 (1968) (This aid is in addition to a general State-financed property tax relief that approximates 35% of the homeowners' tax bill)	1967	Chap. 290, Sec. 290.0601 et seq
California	Homeowners age 65 & older; no relief for renters	\$3,350	Relief ranges from 95% of tax payment if household income is less than \$1,000 to 1% of tax payment if household income is \$3,350	State rebate only Cost—\$0.40 (1969)	1967	Revenue & taxation code Div. E., Sec. 19501 et seq
Vermont	Homeowners & renters age 65 & older	Not explicit.	Relief limited to that part of tax payment in excess of 7% of household income times a local rate factor that varies by tax rate of local community ²	State income tax credit or rebate Cost—\$1.25 (1969)	1969	H.B. 222
Kansas	Homeowners age 65 & older; no relief for renters	\$3,700	Same as Wisconsin tax relief formula	State income tax credit or rebate	1970	H.B. 1253

¹ Household income—\$1,000 or less—relief ranges from 75% of amount by which property tax exceeds 3% of household income between \$500 and \$1,000; household income—over \$1,000—60% of amount by which property tax exceeds 3% of household income between \$500 and \$1,000, 6% of income between \$1,000 and \$1,500, 9% of income between \$1,500 and \$2,000, 12% of income between \$2,000 and \$2,500, and 15% of all household income over \$2,500. The maximum property tax to be used for this credit is limited to \$330.

² The Commissioner shall annually prepare and make available the local rate factors by arraying all municipalities according to their effective tax rate and dividing the population of the State into quintiles from such array with those having the lowest effective tax rates being in the first quintile. The local rate factors shall be as follows: first quintile, 0.6; second quintile, 0.8; third quintile, 1.0; fourth quintile, 1.2; fifth quintile, 1.4. The amount of property taxes or rent constituting property taxes used in computing the credit are limited to \$300 per taxable year.

The four States that use the circuit-breaker approach are Wisconsin (adopted in 1963), Minnesota (1967), Vermont (1969) and Kansas (1970). California, in 1967, provided for a similar type of relief (see Table 2). These States all administer their programs in generally the same manner, but the principle of the circuit-breaker permits wide flexibility and adaptation to individual tax systems and State-by-State tax relief needs.

How It Works

This is a generalized picture of the program. Each State might have exceptions to many of the particulars. The circuit-breaker program is administered by the income tax division of the State tax department and funded entirely out of State money. The State determines the amount of property tax burden it deems excessive. The excessive amount — with certain restrictions to avoid abuse — is then rebated.

To obtain the relief, the applicant files a statement as a supplement to his income tax return. He lists all forms of money income, including all social security and veterans benefits and railroad retirement payments. After audit, he is allowed a credit against his State income tax liability — if he has sufficient income to pay an income tax — or he receives back in the mail a direct cash refund, the case with 98 percent of the recipients.

Although the circuit-breaker is part of the income tax process, the Wisconsin applicant does not have to pay his property tax bill and then wait until income tax filing time to get his refund. As soon as the property tax bill comes, he may file the statement and receive the cash when he needs it. Because the program is administered by the State tax department and the refund sent through the mails, there is no more stigma than when a Federal income taxpayer receives a tax reduction because he incurred extraordinary medical expenses. Local social welfare workers and county courthouse clerks are bypassed. If a State did not have an income tax, the circuit-breaker could be administered in the form of direct cash rebates to all eligible property taxpayers.

Determining Overload Situations

The property tax takes a different bite out of householders in different part of the Nation. Because the average burden varies, what is excessive would also vary. The Minnesota circuit-breaker comes into play when the property tax burden exceeds 6 percent of household income; Vermont's cuts in at 7 percent; and under the 1969 Wisconsin formula, the circuit-breaker begins to work when the property tax reaches more than 11 percent of family income.

To avoid providing property tax relief to the little

old lady who lives in the mansion on the hill, several of the States have written into the law income ceilings or limits on the amount of rebate. They also have progressive rates to provide the most relief to the most needy cases. California has a \$3,350 income limit; Minnesota, a \$3,500 limit; Wisconsin and Kansas a \$3,700 limit. The ceiling in Vermont is not explicit.

Who Should Be Eligible?

The flexibility of the circuit-breaker extends to the type of recipients as well as the amount of need. At present, all the States using the procedure grant relief only to persons age 65 or older. But death of the breadwinner, physical disability or severe unemployment would make the property tax just as devastating to a younger family as to the elderly.

Minnesota, Vermont and Wisconsin at present grant circuit-breaker relief to renters as well as homeowners, on the theory that most landlords pass on most of the property tax burden to their tenants. Wisconsin assumes that 25 percent of the rental payment goes for property taxes while Minnesota and Vermont use a 20 percent figure.

The possibilities don't stop here. A State wanting to provide relief for small farms or businesses could write circuit-breakers into their property taxes as well. The circuit-breaker would assure that the neediest taxpayers in any class would receive the most help. A circuit-breaker for corporations is now under consideration in Ohio, for instance.

This type of relief is objective, impartial, and legal. Property tax relief of the non-legal, non-objective variety is going on in many communities right now, especially where assessors are elected. Compassionate assessors may have a tendency not only to look at property merely as an object of value but also to take into account the circumstances of the owner. The harsh burdens that an objective assessment might bring can sway the valuation of the property. This might be humane, but it is not legal. The circuit-breaker promotes tax equity in a way that is legal and does not interfere with the orderly and impartial valuation process that is necessary if property is to be assessed fairly.

How Much Does It Cost?

One of the great advantages of the circuit-breaker is that it is a State-financed relief program. Too often State legislators grant relief in the form of partial tax exemptions but force the local governments and the school districts to pick up the tab. Local governments and local property owners should not be forced to underwrite property tax relief because it erodes their already-precarious fiscal position and aggravates tax

inequities. This is especially true in metropolitan areas where the poor tend to cluster together within the same jurisdiction. In sharp contrast, State-financed property tax relief in an indirect way tends to reduce intergovernmental fiscal disparities between high- and low-income communities within the same metropolitan area.

What is even better, the circuit-breaker is relatively inexpensive to the State. Take Wisconsin, for example. In 1968, the Wisconsin circuit-breaker program cost the State about \$6.1 million -- about \$1.50 a person. Yet, this modest outlay enabled the State to extend aid to 66,000 elderly householders. About 7,000 of them had an income of less than \$1,000 and would otherwise have had to pay out in residential taxes about 30 percent on the average of their total subsistence income.

The inexpensiveness of the Wisconsin program can be illustrated further by these comparisons. In 1968, relief cost was --

- 2 percent of the local residential real estate levies in the State;
- 1.5 percent of State personal income tax collections;
- 0.6 percent of total State tax collections;
- 0.4 percent of State-local tax collections; and
- 2.5 percent of State-local public welfare expenditures.

Answering the Objections

Like any innovative program, the circuit-breaker has opponents who raise various objections. Most of them can be answered quite simply.

Some complain that the circuit-breaker does not cure the real disease, poverty. True, but something must be done now, while the Federal Government is working out, a broad program to eradicate poverty. The circuit-breaker makes sure that the government does not impose extraordinary burdens on the poor while poverty remains among us.

Others complain that the circuit-breaker approach makes welfare operators out of State tax collectors. This over-simplified worry is nullified by recent experience which indicates that this approach represents the most efficient and dignified way to administer a local property tax relief program.

There are some who claim that State-financed property tax relief might encourage local officials to adopt reckless spending policies. The small amount of relief to local governments that the circuit-breaker provides is not enough to make local officials spendthrifts. Besides, the majority of citizens paying

property taxes without relief will continue to exert a powerful restraint on local budget expansion.

Those who wish to recover the relief after the death of the homeowner object that the circuit-breaker provides unwarranted aid to the children who will inherit the property. A man's home must be viewed as a rough yardstick of his -- not his children's -- ability to pay taxes out of current income. When this is demonstrably not the case, the homeowner should be entitled to unconditional relief. It is becoming increasingly repugnant to the public to force the liquidation of an estate in order to pay property taxes, even if the liquidation is held off until the death of the benefited homeowner.

Finally, some complain that tax relief for the elderly can enable a homeowner to hold his property off the market thereby working against the highest and best use of land. This cut-off-the-nose-to-spite-the-face logic would deny relief to a substantial body of taxpayers carrying extraordinary burdens in order to take care of a very few exceptional situations. Moreover, this objection vastly overstates the effect that a tax rebate of a couple hundred dollars can have on a person's decision either to sell or to hold the homestead.

Summary

The circuit-breaker approach to property tax relief introduces a badly needed element of modern economic realism and social justice into the administration of the property tax. By extending relief to those who need it the most, it turns a highly regressive tax into an essentially proportional levy. In effect, the adoption of this plan can insure that the ancient property tax will no longer be allowed to do gross violence to our contemporary concept of ability to pay as determined by the taxpayer's annual income.

The circuit-breaker thus provides significant local property tax relief at modest State cost, to those who really need it without disrupting the regular property tax system. This distinguishes it from the more common kind of "homestead exemption" which may reduce the official tax base considerably, provide a benefit to high-income homeowners as well as others, and afford no relief to householders living in rented homes.

For more information about the circuit-breaker, and a copy of the ACIR model State law to enable it, write to John Shannon, Assistant Director (Taxation and Finance), Advisory Commission on Intergovernmental Relations, 726 Jackson Place, N. W., Washington, D. C. 20575.

The Hawthorne Park Club
Paterson, New Jersey

May 3, 1971

Mr. Leonard C. Johnson, Chairman
Task Force C
New Jersey Tax Policy Committee
134 West State Street
Trenton, New Jersey 08625

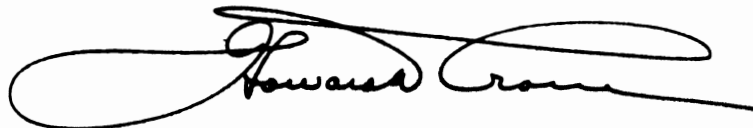
Dear Mr. Johnson:

I heard of your hearings only last Friday and I shall be unable to appear personally but on behalf of the Hawthorne Park Club, I would like you to know how deeply we are concerned with the problem you are investigating.

The Hawthorne Park Club is a non-profit corporation organized under the "boating laws" of New Jersey. For nearly 80 years the Club has owned about 450 acres of woodland in Sparta Township, Sussex County. The constitution of the Club limits the membership to 30 and each member is privileged to build a cottage on Club property. Only one new cottage has been built in the last 40 years and only two more may ever be built. These cottages surround a small lake. The rest of the acreage is wild land. The land for many years was assessed at \$25,000. At the last reassessment it was increased to \$11,000. The Township now threatens to double the assessment again although we receive practically no services from the Town and have no thought whatsoever of developing the land in any way. The watershed on much of our acreage flows into the Newton reservoirs at Morris Lake and would probably be subject to condemnation if it were developed.

We believe that taxation should be related to the costs of services performed rather than to some theoretical land value which is in fact purely intangible. We would like to preserve our woodland for our children and grandchildren in the form it was conceived by my own grandparents but taxation based on theoretical values with no relation to the cost of municipal services used becomes confiscatory. I certainly hope that your Committee will come up with sound recommendations that will permit of the maintenance of our few remaining wooded acres.

Very Truly yours,



Howard D. Crosse, Treasurer
18 Central Avenue
Glen Rock, New Jersey 07452

RECEIVED MAY 5 1971



Telegram

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NEW JERSEY TAX POLICY COMMITTEE

134 WEST STATE ST TRENTON NJER

WE WHOLEHEARTEDLY SUPPORT ASSEMBLY CONCURRENT RESOLUTION NBR
2024 TO PROVIDE TAX RELIEF FOR OPENING SPACE NATURAL LANDS

MARGARET HISCANO AND RAYFIELD HISCANO 11 WEST RD SHORT HILLS
NJER.

RECEIVED MAY 4 1971

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MEMORANDUM TO TASK FORCE C
NEW JERSEY TAX POLICY COMMITTEE

SUBJECT: FARMLAND ASSESSMENT ACT

FROM: C. H. FIELDS, EXECUTIVE SECRETARY, NEW JERSEY FARM BUREAU

DATE: MAY 6, 1971

This is a follow-up to the testimony at the public hearing held in New Brunswick on May 4, presented by William Schlechtweg for the Coordinating Committee to Save Open Space In New Jersey.

The New Jersey Farm Bureau fully concurs in the Coordinating Committee's statement on Farmland Assessment; but due to the fact that certain questions were raised by members of the Committee that did not get thoroughly explored, we are filing this memorandum with the Committee, and if possible, ask that it be made a part of the hearing record.

Dollar Sales Requirement

The present Act provides that in order to qualify for assessment under this act, the property in question must have produced during the preceding two years--or show clear evidence of producing in the future--sales of agricultural or horticultural products in the amount of \$500 or more.

This standard was written into the law to separate commercial farming from back-yard gardening and the operation of rural estates. The minimum amount was predicated on the minimum acreage of five acres also required in the Act and in the amendment to the Constitution. For some crops, like corn, for example, sales of \$100 an acre are typical.

Because this provision in the act sets a single standard on the requirement of sales, regardless of the size of the acreage involved, considerable criticism has developed, alleging that some landowners who are not primarily "farmers" are abusing the act by "farming" only a small portion of the acreage, sufficient to produce the sales of \$500.

The Coordinating Committee, of which Farm Bureau is an active member, has studied this problem over the past several months. We have handed to Senator Dumont suggested language for a bill to amend the Farmland Assessment Act to take care of this situation.

The proposal is that the \$500 sales for the first five acres remain the same; but that the remaining acres of the land in question produce an average of \$5 an acre in sales--except wetland and woodland, where the standard would be \$.50 average per acre.

Woodland and Wetland Question

Some assessors and others have expressed some difficulty in how to treat woodland and wetland under the Farmland Assessment Act. The Coordinating Committee, with the concurrence of Farm Bureau, has recommended to the Director of the Division of Taxation that he promulgate a regulation under the authority given to him in the Farmland Assessment Act, that would establish definite guidelines for assessors in dealing with woodland and wetland.

The proposed regulation would make it clear that the growing of trees for sale is an agricultural activity that is included in the Act, the same as growing any other crop. In the case of trees, however, it normally takes from 10 to 30 years to produce a crop. Our recommendation is that the landowner should be required to furnish proof to the assessor that he is carrying out a forest management plan on his woodland that will, in the natural course of events, produce the annual sales required in the Act. In addition, the regulation would make it clear that woodlots and small acreages of trees are often a part of many types of farming operations. This growing of trees as an incidental part of the overall farming operation should also be recognized as a legitimate part of the farming operation; and no attempt should be made on the part of the Assessor to separate this acreage from the rest of the farm and disqualify it because it is now producing sales of crops.

There is no attempt in the present Act, nor should there be in our opinion, to require each acre on a farm to qualify. In other words, there is presently no requirement that each acre produce a minimum amount of sales. This is not practical in most farming operations. Practically every farm includes a number of acres that are not capable of producing a crop; or are used for other purposes on the farm, such as irrigation ponds, roadways, windbreaks, etc.

Deferred or Roll Back Taxes

Another method provided in the Act to discourage benefits to land speculators is the deferred tax or roll back tax, which is a lien on the land and is to be paid by the owner of the land at the time the use of the land changes to a non-farm use, and is paid on the current year plus two previous years, if the land has been under the Act for that period of time.

The question was asked at the hearing as to whether the agricultural interests had considered the advisability of increasing the number of years on which the roll back tax would be collected.

This suggestion has been considered at some length; but it is our studied opinion that the increase would not accomplish the purpose of further discouraging benefits to speculators nor contribute to a solution in any substantial measure.

While it is true that in many instances the buyer of the land pays the roll back tax, rather than the farmer who has had the benefits of the Act; it is also true that if the roll back is made exorbitant, it will be reflected in the sale value of the land. This, in

itself might be desirable purely from the standpoint of the public; but from the standpoint of the bona fide farmer, it would be a harsh penalty that might cause more of them to sell their farms and leave New Jersey. Our purpose is to keep farms in operation, not to discourage farmers.

The present three-year provision was carefully thought out by the Governor's Committee in drafting the legislation; and we believe there is no real justification for any change.

Overall Purpose of the Farmland Assessment Act

The voters in 1963 voted overwhelmingly to amend the Constitution so that land actively devoted to agriculture would be assessed according to its productive capability in agriculture, thus making it possible for agricultural production to continue in this state. The Act does not contain the word "farmer" in its provisions; since it is predicated on the question of "how is the land being used?" not "who is using it for what purpose?" The purpose is to save farmland as a part of open space; not "farmers" per se, a term for which nearly everyone has his own definition.

Loss of Farms

Statistics filed by the Coordinating Committee with the statement presented by Mr. Schlechtweg reveal the serious loss of farms that had taken place in New Jersey between 1950 and 1960 continuing through 1969. The figures did not bring out the fact that since 1965, the first year of the Farmland Assessment Act, the rate of loss has been cut in half. During 1969, the rate of loss was approximately 500, as compared to 1,000 in previous years.

It is now clear that the Act has caused a significant reduction in the rate of loss of our farms. It is not a total answer; but it has made it possible for those farmers who want to continue farming to do so; and it has made it possible for young men coming up on farms to plan for a future in farming here in New Jersey.

Abuse of the Act

We have heard considerable comment from various sources about widespread abuse of the Act on the part of land speculators.

No doubt some abuse exists, as is true with any other law. The extent of the abuse has never been documented and is based on general impressions and opinions of some people. It is most difficult to separate land speculators from "bona fide" farmers.

Much of the criticism of the act is based on personal jealousy, misunderstanding of the act itself; or poor administration of the act by assessors and tax boards. Some, for example, seem to have their own idea of who is a farmer, and assume that only such a "farmer" should have the right to have his land assessed under this act. Actually, there is no requirement in the act that the owner of the land accomplish the agricultural or horticultural production that is required. The test is how is the land being used, not who

is using it. To some people, "to farm" means to plow up land and plant a crop. They do not realize that a great deal of farmland is never plowed; but kept in permanent pasture. Crop rotation plans require land to lie fallow some years; or put in a soil-building crop that will not be harvested.

We believe the present act, though not perfect, is the best act of its kind in the United States. It has already been amended several times by the Legislature, with the approval of the agricultural community; and no doubt other strengthening amendments will be needed; but any such changes should come only after careful study by agricultural experts who can calculate the results of such changes.

May 4, 1971
326 Central Ave.
Metuchen, New Jersey

Members, State Policy Tax Commission
City Hall,
New Brunswick, N.J.

Gentlemen:

Due to my present work schedule I am unable to appear before your Tax Committee, However as a resident of Metuchen, New Jersey I would like to bring up a few points on present property taxes.

Here in Metuchen our tax rate is \$10.50 per 100 of assessed valuation. 72% of this money goes for Education. It has been 12 years since our property has been assessed, however we can expect it this year and with it a tremendous tax rise, by virtue of inflation, educational costs and the basic unfair tax structure.

We have a tax rate for industry, business, the apartment owner but it all boils down to one word for the average property owner, namely DISASTER. This year in Perth Amboy, New Jersey the reassessment has doubled the tax burden on the hapless home owner, New Brunswick faces a great loss due to adverse court rulings on apartment house assessment (Articles Attached).

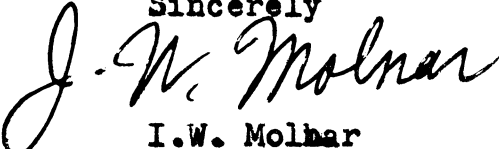
I believe the only solution for this dilemma is for the State to enact legislation along the following lines.

1. A state income tax based on Gross income to pay for all education up to the High School Level.
2. A State take over of all education up to the 12th year.
3. A law equalizing all property tax among property owners, industry, business and apartment owners.

I do believe in 1972 I as a middle income tax payer stand a good chance of losing my home. The New Jersey legislature has indeed very little time to prevent further bankruptcy among the home owner. No one from this state pays taxes to the borough of Metuchen for my property tax whereas the State ~~also~~ pays a large subsidy tax money for the Penn Central Railroad property Tax. each year.

I am a disabled veteran employed full time, having a difficult time holding on to my home, I can hardly venture what will happen to those unfortunate people on fixed incomes, or on retirement income.

Sincerely


I.W. Molnar

New Brunswick Sunday Home News.

Spread City Beat

By George Dawson



Skyrocketing Tax Rates Cut Chance for Urban Progress

Perth Amboy and New Brunswick will command county attention this year in sharing a common tax plight.

Both cities, headed by administrations which hoped to give their citizens a forward look in government, will have chances of progress severely limited this year by substantial tax increases.

The Perth Amboy increase is the more obvious, since much of it is apparent in the printed budgets. The budgets published by the various government agencies levying taxes on city property — city, board of school estimate, county freeholders — show a total levy of about \$13 million, an increase of \$2.8 over the money paid last year. The \$250,000 cut approved by the commissioners last week will reduce the tax by 19 points, but still produce a rate of \$9.77 per \$100 of assessed valuation, give or take a few points.

Comparison with last year's rate is difficult, since the \$17.31 rate published then was based on an assessment ratio of 21 per cent of true value, rather than the 50 per cent ratio now being used. However, if the \$10.2 million tax levy last year had been applied against assessments calculated at 50 per cent of true value, the tax rate would have been \$7.27. The new tax rate, then, represents an increase of \$2.50.

The Perth Amboy property owner is getting some consideration, however, in the new city-wide revaluation program, which went into effect this year. The revaluation shows a slippage of five per cent in the total true value of taxable properties. If this can be applied generally against all property-owners — by no means necessarily the case — a homeowner with a house valued at \$20,000 last year will

see his house appraised at \$19,100 on the tax books this year.

The tax rise for this homeowner, then, will not be from \$727 to \$977, as might be apparently from simply an examination of the tax rates, but from \$727 to \$930.

The New Brunswick tax increase is somewhat disguised. The announced rate of \$8.71, granted, is only up 87 cents, or \$87 for the owner of a \$20,000 house, a moderate increase for a New Jersey city this year. Yet New Brunswick, also, underwent a general change of property assessments during the year, and in this case the total went up instead of down.

If the 10 per cent general assessment increase can be applied against the board, the owner of a \$20,000 house last year must now be considered the owner of a \$22,000 house. The tax bill, then, will not simply increase from \$784 to \$871, but from \$784 to \$958.

New Brunswick and Perth Amboy property owners are by no means those who are most sorely affected by the costs of local government.

In Middlesex County, a middle territory in the state as far as tax rates go, Metuchen homeowners were paying a tax rate of \$9.50 last year, and some residents in Madison Township were paying a rate as high as \$12.73 counting special garbage and fire assessments.

Trenton property-owners paid taxes at a rate of \$13.53. Property-owners in Newark and Union City, with assessments at 100 per cent of calculated true value, paid rates of \$8.44 and \$9.12, respectively. Translated to 50 per cent, the rates were \$16.88 and \$18.24.

Tiny Winfield Township, the World War II housing commu-

nity in Union County, paid an unbelievable rate of \$41.98, with 50 per cent assessments. This means the owners of a \$20,000 house in Winfield, if such there be, was paying a fifth of his housing value, or \$4,198, in annual taxes.

New Brunswick at one time laid the hope for tax relief on a better deal from Rutgers and development of highway properties. Now Mayor Patricia Q. Sheehan, a member of the Governor's Tax Policy Study Commission, is saying: "tax reform is the most immediate and desperate question facing us."

The Perth Amboy commissioners have already set this tone, pledging in last year's campaign to seek "further legislation which will give to cities like Perth Amboy the aid they so desperately require and need."

Gov. Cahill has a modest urban aid program this year, costing \$24 million, and providing cities like New Brunswick and Perth Amboy \$200,000 to \$300,000. The gain represents a small measure in the face of the increases in budget needs.

Perhaps New Brunswick and Perth Amboy have been too timid in pushing professionalization of their administrative staff; too cautious on housing redevelopment; too dilatory in beginning the revival of their downtown areas.

Yet cities of even the most professional mien can not operate in the face of \$200 and \$250 annual tax increases upon their citizens.

The future of the center cities in Middlesex County will be a dominant theme in government operations here this year, and the question of urban aid the critical issue in the forthcoming legislative elections.

Colony House Tax Decision Dismays City

Tax Ruling Dismays City

Continued from Page One

from the Colony House.

Since the assessment was under appeal, the owners of the apartment building were obliged to pay only 75 per cent of their yearly tax bill, with the remainder being made up

through the city's reserve for uncollected taxes.

However, should Savino's judgment stand, the city will not get a return on that reserve as it does for other delinquent tax payments.

Schick said he doubted the city would get the assessment it asked for even if it wins a further appeal, but added he is hopeful of some compromise.

Harding said he expected an

affirmative decision to appeal would be made by the mayor and council.

By GEORGE TRAPP
Home News Staff Writer

City officials discussed an appeal and Tax Assessor Louis Schick shook his head in dismay after learning last week the Colony House management had achieved victory in a series of tax assessment appeals dating back to 1965.

The decision handed down by Judge Carmine F. Savino Jr. of the Division of Tax Appeals of the Department of the Treasury, came almost a year to the day after the appeal hearing.

The judgment sets an assessment for the apartment house and land of \$4,218,500. Since, for tax purposes, a ratio of 50 per cent is used, the actual taxable value would be \$2,109,250.

The latter figure is \$746,000 less than the assessment set by the city.

For the five year period under appeal, 1965-69, the lower assessment would result in a loss of \$233,495 in taxes to the city. However, the apartment management has consistently held back part of its tax bill, and City Finance Director George Cox said there is an excess of \$400,000 in liens on the building.

Cox, Schick and City Attorney Norris Harding said while no official decision has been reached, it seemed very likely the city would appeal to the Appellate Division of the Superior Court.

The owners of the 18-story apartment building have appealed every assessment since construction was completed in 1965. But in every case, the city's assessment was upheld by the Middlesex County Board of Taxation.

Schick said the state's decision granted everything the owners asked for and used the income approach, which produced the lowest possible assessment.

The assessor said there are three methods allowed by law to derive the assessment value of a property. The reproduction cost method is based on what current expenses would be to replace the structure, less depreciation.

Savino rejected this method out of hand in his decision and

said, "The building is unique in the area in which it is located."

Both Schick and Harding said they had no idea what the judge meant by that.

Another method is the sales approach, in which the sale-price of a similar building is used to determine the assessment. During last year's hearing the city attempted to illustrate this method by citing the recent purchase price of the Park Lane Apartments at a cost of \$4,000 per room.

Using a similar figure on the Colony House's 1,310 rooms would result in an assessment of \$5,279,300. At the 50 per cent ratio that would amount to \$2,639,650 for tax purposes. The judge made mention of this in his decision, but declined to comment on its merits.

The last method is the income approach, which Savino said was "the only fair method of evaluating property of this kind."

That is based on the income from rents, less costs and a vacancy factor of five per cent, divided by a capitalization rate. This rate is an attempt to compare the net income from the building to the return of a similar investment elsewhere.

Schick claimed the use of such a method discriminated against the homeowner, since it only could be used for income producing properties.

He said it allows owners of such properties to obtain a lower assessment every time their income drops, while the homeowner must pick up the additional tax burden.

"If a homeowner lost his job for illness or any other reason, he could not go before the courts and seek a reduced assessment because of a loss of income," he said. "Yet those with income producing properties do just that."

Schick has argued in the past for abolition of the income approach, and said this recent decision is another reason for homeowners to protest to their legislators. He said the homeowner will end up paying more taxes to make up for the loss

See TAX RULING, Page A22



Write What You Think
Read What Others
Say in
Letters
Daily in
THE HOME NEWS

RECEIVED MAR 25 1971

Association of High Bridge Taxpayers
1 Jersey Street
High Bridge, New Jersey
Zip 08829

The New Jersey Tax Policy Committee
134 West State Street
Trenton, New Jersey
Zip 08625

Att: Senator Harry Sears, Chairman

Mr. Chairman:

This incorporated organization of taxpayers wishes to express its feelings concerning the inequities and immoral aspects of the New Jersey laws pertaining to property taxation. The Association of High Bridge Taxpayers was born out of dissatisfaction with a local tax structure that did not conform to the statutes. We viewed with dismay the sweeping gaps in assessed evaluations that appeared in the tax records. We fought for revaluation. In doing so we discovered inconsistencies and unfairness in the basic philosophy of property taxation. The situation is serious and cannot be tolerated by the taxing property owners much longer.

The following pages point out some of the outrageous situations that are imposed on the public as a result of the wording of the law. We have spent much time reading the "Assessors Law Manual" that we were able to obtain from the Local Property Tax Bureau. The provisions and safeguards spelled out in the statutes have been criminally neglected. We have letters in our files that document the indifference of our public officials that are responsible in the enforcement of the law.

Please review our points carefully. In light of the loss of confidence in government that is growing day by day in this country, we feel that it would be wise for our public officials to pay attention to the people. History has shown that when government takes an aloof and pompous attitude toward the masses, eventually disaster prevails.

The government officials responsible for the formation of your committee, and in particular, Governor William T. Cahill are to be commended for this attempt to investigate this matter that is causing hardship and distress among so many of our citizens.

This group of interested taxpayers is not a body of lawmakers and we will not even attempt to make positive recommendations, however, we do feel that we are in a position to point out the shortcomings of the letter of the law because we are seeing the situation first hand. After reading our paper, we doubt

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that any member of your committee can truthfully say that there is no injustice in our tax laws.

If this Association can help by attempting to communicate with people in areas of influence feel free to call on us. We sincerely hope that your committee can effectively determine the major short-comings of our tax structure. We trust that you will make intelligent recommendations to provide a tax proposal that will consider the points that we will bring to your attention on the following pages.

Very truly yours,

The Executive Committee

Peter Martinez, Chairman - - - - - *Peter Martinez*
1 Jersey Street

Arnis Buza, Vice-Chairman - - - - - *Arnis Buza*
20 Sylvan Road

Thomas Gogal, Secretary - - - - - *Thomas Gogal*
Valley View Road

Willard Everitt, Treasurer - - - - - *Willard Everitt*
31 Sylvan Road

Thaddeus Gajewski, Legal Liaison - - - - - *Thaddeus Gajewski*
Valley View Road

Eugene Polsley, School Board Liaison - - - - - *Eugene E. Polsley*
14 Patton Street

Frank Morrison, Planning Board Liaison - - - - - *Frank Morrison*
Cregar Road

c.c.: Governor William T. Cahill
Mayor and Common Council, High Bridge
Editors
4 Newspapers: Hunterdon Democrat, Hunterdon Review, Easton Express,
Courier News
Hunterdon County Tax Board
Senator Foran
Senator Wayne Dumont
Senator Bateman
Representative Frank Thompson, Jr.
Group to Repeal Inequitable Taxes

The Association of High Bridge Taxpayers finds that the tax laws in the state of New Jersey are unfair and inequitable to a large portion of the property owners in the State for the following reasons:

I. TAX LAWS ARE NOT BASED ON A PERSON'S ABILITY TO PAY!

- (1) Senior citizens, disabled person, widows with children have no consideration.

The Senior Citizens deduction, as called out in the statutes (93-440p Sec. 54:4-8.41), is a farce. This statute says that a person over sixty-five that earns in excess of \$5000.00 is not eligible for the exemption. In High Bridge, elderly citizens are obliged to pay in excess of \$1000.00 in property tax. Therefore the law is placing conditions on these people that makes it impossible to own property to be eligible for the deduction. It seems very cruel to tell an old couple that the home that they have sacrificed and worked so many years to obtain must be given up because of their obvious inability to pay an excessive tax. These people have paid their taxes for years. In most cases, they make very little demand on municipal services. There seems to be no excuse for a couple existing on the pittance of Social Security, to be placed in a situation where they must sacrifice their very necessities of life or face a foreclosure sale for unpaid taxes.

The fact that the voters of the State voted to raise the Senior Citizens exemption from \$80.00 a year to \$160.00 shows clearly that people at large are aware of the problems of the aged. Not too many people are aware of the aforementioned conditions limiting the eligibility for the deduction.

People that suffer disabilities (including war veterans) such that their earning capacities are impaired, fall into this category along with widows with small children. The unemployed whose income is totally cut off (except for unemployment insurance) are placed in a hopeless situation. All are expected to pay regardless of income.

- (2) Escalating property values causing distress in taxation.

In recent years property values have escalated tremendously. Property taxes have sky-rocketed at the same rate. The reason for this situation is that the statute (93-404k Sec. 54:4-2.25) says that assessment of property to be taxed will be done at "true value". True value is defined as "current market value". (93-035c Sec. 54:1-35.3) Current market value means nothing to an individual unless he plans to sell his home. His income is not enhanced by the fact his property is appreciating. Therefore this is a poor basis on which to determine the amount of taxes he should pay.

An individual who could well afford to purchase a home at a given price ten or fifteen years ago, and maintain the mortgage payments and taxes of that period, will not necessarily be able to do so today at inflated prices. Mortgage payments

in fact decrease over the years due to a depreciating interest charge. On the other hand, taxes are increasing consistently each year. When the sales tax came into being, State officials proclaimed that it was going to relieve the property taxpayer. It is doubtful that your committee will find any taxpayer who has felt this "relief". The Law assumes that an individual's income always reflects the curve of the economy. This by far is a condition that is not true.

II. PRESENT STRUCTURE REWARDS NEGLECT AND PENALIZES PRIDE IN HOME OWNERSHIP!

(1) If a property owner neglects his home and allows it to fall into decay and ruin, the current market value of the property will definitely fall off. If a property owner takes pride in his possessions and through sacrifice and hard work, he makes his home an asset to the community, the current market value will definitely rise. Now, here is a paradox. In the first case the individual is rewarded for his lack of initiative. In the second case, the individual is penalized for his diligence. This is not only unfair, it is foolish! This is the stuff of which slums are made. Landlords let their holdings deteriorate because they know that they will realize benefits in taxation. Individuals are starting to adopt the same outlook. In time the blight that is infecting our cities will spread, and the prospect for the future looks very grim indeed.

III. PRESENT STRUCTURE EXPENSIVE TO MAINTAIN AND DIFFICULT TO UNIFORMLY ENFORCE.

(1) Expense of revaluation high and unreliable.

The cost of maintaining a study on a rapidly growing community for tax purposes is high and even if revaluations could be assumed to be accurate, inequities crop up between periods of revaluation. This situation is unfair to the individuals who are forced to pay more than their fair share according to the system.

Inevitably revaluation breaks down. In High Bridge, it was never accomplished prior to 1971. There is no justification for the huge discrepancies that appear in the tax records up until this year. Revision and equalization as called out in the statutes (93-481 Sec. 54:447, 93-028 Sec. 54:1-30) was sadly neglected by local, county, and state officials for all these years. Unqualified people are responsible in the area of property taxation. As we see the situation, they are incompetent to serve in this very important and complex function. We are sure that this situation prevails in other areas outside of High Bridge and Hunterdon County. The language of the law is vague and needs much in the way of interpretation. Using the term "current market value" leaves much to be desired when a person's pocketbook is effected. Market value is the price a person is willing to pay for a given commodity. One person may place a very high value on something. This "something" may have no value to another individual. There is nothing hard and fast about the wording of the law to solidly determine what a person should pay relative to his neighbor.

This should be clear so that there is no question in anyone's mind that someone else is "getting away with something".

(2) Assessing is not an exact science.

It would be interesting to have a number of revaluation firms assess the same area independent of each other without the knowledge that others are also doing the work. It is doubtful that there would be exact consistency and quite possibly there would be ~~exact consistency and quite possibly~~ ^{VAST DISCREPANCIES BETWEEN THESE} different firms. There are many in High Bridge that feel that their homes were given only an off-hand appraisal. There are so many minute factors that effect the market value of a home that it is practically impossible to determine with any precision what the "current market value" really is.

If two different contractors build two identical homes, they could demand different "market values" because workmanship enters into the picture. The amount a person is willing to pay does not necessarily reflect the true market value. An individual may not know the proper value of the property since different areas reflect different values for similar homes. They may be willing to pay more than it's worth for speculation purposes. Yet the prices paid in recent years is used as a yardstick for revaluation. These prices are then applied to land and dwellings that no-one wishes to sell.

IV. TAXES PAID SHOULD ATTEMPT TO REFLECT DEMAND ON MUNICIPAL SERVICES.

(1) The largest portion of every municipal budget in the State is the school budget. It is not reasonable that a person that has four, five, or six children in the school system should pay less than a person that has only one child. Yet this is the case repeated many times over. Where this is particularly wrong is in the case of couples without any children and senior citizens. It seems logical that the financing of schools should be carried out at the state level. The local vote on the school budget seems to be an attempt to dupe the public into thinking that there is local control over spending in the school system. Our school board informs us that 85% of their budget is controlled and mandated by the state. If this is a reality, then the vote on the school budget is nothing but a mockery. If the state does control the money and dictates how it is to be spent, then the state should arrive at some equitable means to obtain this money instead of placing the burden on the local property taxpayer.

In closing, we must say, not only tax reform but control and analysis of government spending at the state level should be considered. The taxpaying public in general is caught in the squeeze of unemployment, escalating taxes of all kinds, and runaway inflation. Areas of expenditure such as the various welfare programs can stand a hard looking into. A serious and careful study should uncover places where tax dollars can be saved. The Association of High Bridge Taxpayers hopes that government will try to accomplish it's business in a more professional manner than we have seen in the past. In this way our officials can gain the respect of the taxpayers they represent.

Association of High Bridge Taxpayers
1 Jersey Street
High Bridge, New Jersey
Zip 08829

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Group for Repeal of Inequitable Taxation
16 Laurie Terrace, Hackettstown, N.J.
Zip 07840

Att: Robert V. Goordman, Chairman

Dear Mr. Goordman:

Enclosed please find a copy of our paper to the State Policy Committee. We are pointing out what we feel are gross injustices prevalent in our local property tax structure. We agree with G.R.I.T. that there are many shortcomings in our tax laws as they now stand. However, we do not subscribe to your proposal of a state income tax based on a percentage of the amount paid on federal income tax.

The feeling expressed at our last committee meeting when we ratified our letter to the state can be summarized as follows:

There are too many "loop-holes" in the federal tax laws that allow people of means to avoid paying their fair share (tax-free bonds, capital gains, business exemptions & etc.). These loop-holes are abused to the extent that there are people earning large sums of money who pay little or no federal income tax. This fact was widely publicized by the news media not too long ago.

In lieu of these factors, we feel that it would be a fallacy to base a state income tax on the amount of federal income tax an individual pays. The federal taxes paid, in many cases, is not a true basis for determining a person's capacity to pay.

We feel that your "Critique" was intelligently written, but, we hasten to say that we must be careful in our analysis of this situation. In trying to overcome the evils of the present structure, we could encourage our lawmakers to create more injustices than we are presently obliged to endure.

However, the general format of G.R.I.T.'s "Critique" is noteworthy. We are hoping the State Tax Policy Committee will arrive at a good equitable tax proposal in the near future. We are anticipating tax reform that will satisfy most of the adverse conditions that we pointed out in our paper.

In conclusion, we feel that the various interested citizen's groups will exert influence on our public officials in time if they persist. If you receive word of a meeting aimed at a coalition of taxpayers organizations, the Association

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of High Bridge Taxpayers would be interested in having a delegation present at the proceedings.

We wish to thank you for your interest and the information that you forwarded to us.

Very truly yours,


P. J. Martinez, Chairman

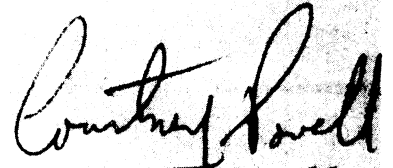
c.c.: State Tax Policy Committee
Hunterdon County Taxpayers
Association
Editor, Easton Express
Editor, Hunterdon Democrat
Editor, Courier News
Editor, Hunterdon Review

encl.

Township of Madison

OFFICE OF THE ASSESSOR
MIDDLESEX COUNTY
NEW JERSEY

ANNEX BUILDING
18 THROCKMORTON LANE
OLD BRIDGE, NEW JERSEY


Courtney Powell
ASSESSOR

December 1, 1970
Re: Tax Ideas

New Jersey Tax Policy Committee
134 West State Street
Trenton, N.J. 08625

Dear Mr. Sears:

(1) Solution:

(a) Put School Current Operating Budget on a County Basis

to solve most Inequities. (Leave the school Bonding to the towns.)

(b) State Help to Problem Counties or Towns only if necessary.


(2) Why put the School Current Operating Budget on a County Basis.

(a) The expensive school costs should be spread over the region they serve, which can easiest be described on a County Basis. The industry and large commercial property will then share in a large proportion of their employees educational responsibilities.

(b) The Ranking of 567 Municipalities ranging from the Effective Tax Rate (ETR) in Winfield of \$ 21.15 to Teterboro .72 will be drastically drawn toward the State Average of 3.30. Any town over 4.0 is causing a confiscatory tax

situation. I will attempt to explain this with Statistics about Middlesex County only because I have the information for the year 1969.

(c) The calculated statistics are based on the Abstract of Ratables Middlesex County 1969. I recommended just the Current School Expenses, but the Statistics are based on Total School Levy Required from Property Taxes, since that is all I have.

(d) The County School Levy graph shows that the Normal Deviation is Statistically much improved when total school costs are put on a County School Levy. (Bell Shaped Curve )

(e) The lower E T R 's are virtually eliminated. The lowest is still low. Plainsboro somewhat like Teterboro they are zoned for no people, but their industrial wealth would be paying a 51% (268 ÷ 177) increase. Their 1969 Student population 180 is only 10% of Plainsboro's 1732 people. The taxable value \$9,216,000 ÷ 43% Ratio equals \$21,433,000 Equalized value divided by 180 Students equals \$119,000 Assessed Value to back each student. Plainsboro has 12 Square Miles.

(f) The three Generator Towns, Woodbridge, Sayreville & South Amboy would have substantial increases.

(g) The only town zoned 50% industrial North Brunswick also has a substantial increase.

(h) The high growth towns, 1960-1969 in enrollment in order Madison, South Brunswick, East Brunswick, Piscataway all over 100% Increase all receive tremendous reductions. These towns might not have recently excluded Low and Middle Income House

Zones if the taxes were reasonable.

(i) The high growth towns in Population change. Piscataway, Madison, North Brunswick, Monroe will have the school enrollment problem in the 70'S.

(j) The Cities, Perth Amboy, New Brunswick have more services (Paid Fire, Garbage, etc.,) so their tax should be higher.

The Welfare on a State Basis should take care of most of their problem.

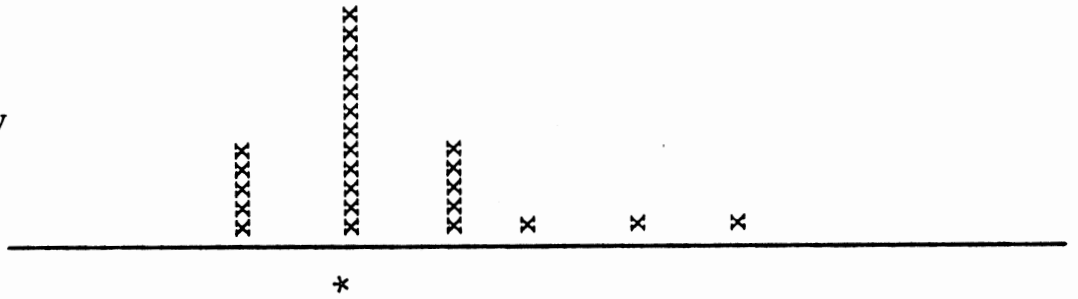
(k) The new high tax towns, Perth Amboy, Highland Park, New Brunswick, Carteret, South Amboy are old established towns. Their School Capital Bond Indebtedness should be low. I am sure that if the Capital portion was taken from County School Levy Tax and put back to the individual School Districts that these five towns would shift left on the County School Level Graph No. 1 making the whole scheme Politically possible. Also the adjusted chart # (1) I feel would show nearly a perfect Deviation.

(l) The uneven distribution of county roads is a good reason to leave the School Building up to the Towns. If they vote for new schools they pay for them. The county should maintain some uniformity in Salaries so County School Operation should have Checks & Balances on the individual School Districts and itself.

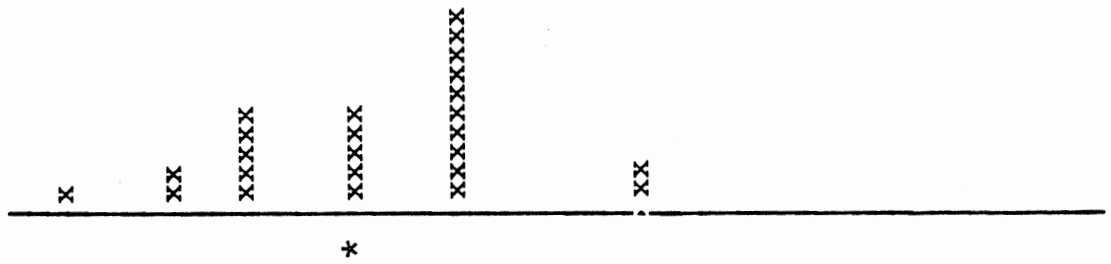
To protect the taxpayer the Voters must have control which they do not have at all now with autonomous School Boards and Carl Marburger returning most of the voter-rejected budgets.

EFFECTIVE TAX RATE GRAPHS IN MIDDLESEX COUNTY

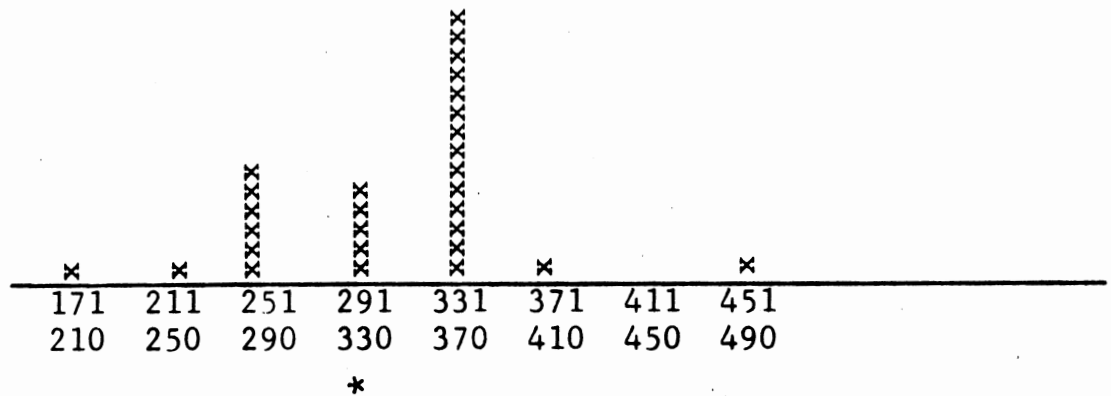
True Avg. 3.23
County School Levy
Tax ETR



True Avg. 3.19
County ETR



True Avg. 3.15
State Survey ETR



MIDDLESEX		(1)	(2)	(3)	(4)	(5)		
STATE RANK	MUN. NO.	ETR	RANK	1969 TAXABLE VALUE 000	TOTAL LEVY ON WHICH TAX RATE IS COMPUTED 000	COUNTY 1969 RATIO	COUNTY 1969 ETR	RANK
							(3) ÷ (2) X (4) = 5	
82	9	4.52	1	105,576	10,530	45	4.49	1
199	8	3.83	2	9,381	687	48	3.52	6
245	7	3.67	3	40,881	3,326	45	3.66	4
251	21	3.65	4	58,602	4,053	50	3.46	7
257	16	3.64	5	57,596	10,200	24	4.25	2
261	24	3.62	6	19,647	1,615	46	3.78	3
262	10	3.61	7	46,969	3,860	42	3.45	9
264	14	3.61	8	115,393	8,581	46	3.42	10
293	3	3.52	9	21,037	1,481	46	3.24	14
294	23	3.52	10	38,297	2,693	47	3.30	13
323	17	3.42	11	113,761	8,553	46	3.46	7
329	22	3.39	12	76,374	5,303	48	3.33	12
332	4	3.37	13	115,184	8,320	50	3.61	5
353	11	3.31	14	47,587	3,269	49	3.37	10
396	1	3.17	15	77,706	5,138	49	3.24	14
421	6	3.04	16	3,211	232	44	3.18	16
441	5	2.95	17	230,491	15,341	42	2.80	18
4	2	2.91	18	16,743	910	47	2.55	22
455	13	2.89	19	25,542	1,720	42	2.83	18
463	25	2.85	20	251,709	19,479	36	2.79	20
467	20	2.82	21	20,562	1,396	44	2.99	17
484	12	2.66	22	23,353	1,290	49	2.71	21
497	15	2.55	23	85,398	4,707	44	2.43	23
519	19	2.35	24	115,489	6,389	41	2.27	24
548	18	<u>1.86</u>	25	9,216	379	43	1.77	25
					<u>129,452</u>			

Avg. Rate 3.15

3.19

Middlesex Municipality Number

- | | | | |
|----|----------------|----|------------------|
| 1 | Carteret | 14 | New Brunswick |
| 2 | Cranbury | 15 | North Brunswick |
| 3 | Dunellen | 16 | Perth Amboy |
| 4 | East Brunswick | 17 | Piscataway |
| 5 | Edison | 18 | Plainsboro |
| 6 | Helmetta | 19 | Sayreville |
| 7 | Highland Park | 20 | South Amboy |
| 8 | Jamesburg | 21 | South Brunswick |
| 9 | Madison | 22 | South Plainfield |
| 10 | Metuchen | 23 | South River |
| 11 | Middlesex | 24 | Spotswood |
| 12 | Milltown | 25 | Woodbridge |
| 13 | Monroe | | |

Middlesex Mun. No.	(6) School Levy	(7) Net Value on which County Tax is Pro Rated	(8) School Levy on County Basis	(9) (3)-(6)+(8)	(10) (9)÷(2)X(4)= (10)
9	7,508	237,598	4,503	7,525 -	(3.21) 12
8	450	19,870	377	614 -	3.14 14
7	1,273	92,486	1,753	3,806 +	4.18 2
21	3,180	127,103	2,409	3,282 -	(2.80) 22
16	4,452	267,960	5,079	10,827 +	4.51 1
24	1,004	48,333	916	1,527 -	3.58 6
10	2,427	116,785	2,213	3,646 -	3.26 10
14	4,148	265,808	5,038	9,471 +	3.78 3
3	939	50,678	961	1,503 +	3.29 9
23	1,519	83,904	1,590	2,764 +	3.39 7
17	6,070	259,202	4,913	7,396 -	(2.99) 15
22	3,337	167,402	3,173	5,139 -	3.23 11
4	5,992	236,972	4,491	6,819 -	(2.96) 18
11	2,138	101,658	1,927	3,058 -	3.15 13
1	2,779	180,250	3,416	5,775 +	3.64 4
6	177	9,942	188	243 +	3.33 8
5	11,035	567,322	10,753	15,059 -	(2.74) 24
2	579	37,875	718	1,049 +	2.94 19
13	1,193	61,801	1,171	1,698 -	(2.79) 23
25	13,401	757,616	14,359	20,437 +	2.92 20
20	701	52,939	1,003	1,698 +	3.63 5
?	907	50,392	955	1,338 +	2.81 21
15	3,312	231,404	4,386	5,781 +	2.98 17
19	4,260	332,047	6,293	8,422 +	2.99 15
18	253	23,646	448	574 +	(2.68) 25
	<u>83,034</u>	<u>4,380,993</u>	<u>83,033</u>	<u>129,451</u>	

Avg. Ratio

3.23

Towns that should have large growth if Zoning was () not because of Taxes.

NEW JERSEY TAX POLICY COMMITTEE

Ranking of 567 Municipalities in the State of New Jersey
According to Effective Tax Rate - 1970

<u>Rank</u>	<u>Municipality</u>	<u>County</u>	<u>ETR</u>	<u>Rank</u>	<u>Municipality</u>	<u>County</u>	<u>ETR</u>
1	Winfield	Union	\$21.15	46	Lindenwold	Camden	\$4.90
2	Shrewsbury Twp.	Monmouth	20.51	47	N. Caldwell	Essex	4.89
3	Hoboken	Hudson	8.91	48	Lambertville	Hunterdon	4.87
4	Audubon Park	Camden	8.60	49	Millville	Cumberland	4.87
5	Jersey City	Hudson	7.50	50	Glassboro	Gloucester	4.85
6	Union	Hudson	7.45	51	Keansburg	Monmouth	4.85
7	Camden	Camden	6.92	52	Mt. Holly	Burlington	4.79
8	West New York	Hudson	6.92	53	Hampton	Hunterdon	4.78
9	Newark	Essex	6.84	54	Monmouth Beach	Monmouth	4.78
10	Trenton	Mercer	6.77	55	Freehold Twp.	Monmouth	4.76
11	East Orange	Essex	6.64	56	Woodlynne	Camden	4.75
12	Orange	Essex	6.46	57	Victory Gardens	Morris	4.74
13	Glen Ridge	Essex	6.44	58	Frenchtown	Hunterdon	4.73
14	Chesilhurst	Camden	6.32	59	Hightstown	Mercer	4.72
15	Egg Harbor City	Atlantic	6.30	60	New Shrewsbury	Monmouth	4.72
16	Loch Arbour	Monmouth	6.30	61	Buena Vista	Atlantic	4.71
17	Pine Hill	Camden	5.88	62	Roosevelt	Monmouth	4.71
18	Sussex	Sussex	5.58	63	Hackettstown	Warren	4.69
19	Pleasantville	Atlantic	5.46	64	Union Beach	Monmouth	4.69
20	Ogdensburg	Sussex	5.40	65	Belleville	Essex	4.68
21	Plainfield	Union	5.40	66	Elmer	Salem	4.68
22	Salem	Salem	5.38	67	Allentown	Monmouth	4.66
23	Highlands	Monmouth	5.35	68	Commercial	Cumberland	4.66
24	Woodbine	Cape May	5.32	69	Hopatcong	Sussex	4.66
25	Montclair	Essex	5.29	70	Lawrence	Cumberland	4.66
26	Stanhope	Sussex	5.20	71	Mantua	Gloucester	4.66
27	Berlin Twp.	Camden	5.19	72	Keyport	Monmouth	4.63
28	East Newark	Hudson	5.10	73	Bradley Beach	Monmouth	4.62
29	Jackson	Ocean	5.09	74	Freehold	Monmouth	4.62
30	Atlantic City	Atlantic	5.08	75	Bayonne	Hudson	4.57
31	Clementon	Camden	5.08	76	Andover Twp.	Sussex	4.56
32	Franklin	Gloucester	5.07	77	Clayton	Gloucester	4.56
33	Irvington	Essex	5.04	78	Passaic	Passaic	4.56
34	Farmingdale	Monmouth	5.03	79	Swedesboro	Gloucester	4.54
35	Long Branch	Monmouth	5.01	80	Waldwick	Bergen	4.53
36	Paterson	Passaic	5.01	81	Washington	Gloucester	4.53
37	Waterford	Camden	5.01	82	Madison	Middlesex	4.52
38	Caldwell	Essex	5.00	83	Island Heights	Ocean	4.51
39	Maplewood	Essex	5.00	84	Matawan Twp.	Monmouth	4.50
40	West Orange	Essex	5.00	85	West Cape May	Cape May	4.50
41	South Orange	Essex	4.99	86	Neptune Twp.	Monmouth	4.49
42	Asbury Park	Monmouth	4.97	87	Cherry Hill	Camden	4.48
43	Upper Penns Neck	Salem	4.96	88	Fair Haven	Monmouth	4.48
44	Penns Grove	Salem	4.94	89	Hainesport	Burlington	4.47
45	Bridgeton	Cumberland	4.94	90	Lower Alloway Ck.	Salem	4.47

PROFILE OF MIDDLESEX COUNTY

County	POPULATION							
	1960 Pop. (A)		1968 Pop. (B)		1960-68 Population Change			
	Pop.	Rank	Pop.	Rank	Actual	Rank	Percent	Rank
Atlantic	160,880	12	186,030	13	25,150	14	15.6	15
Bergen	780,255	2	913,520	2	133,265	2	17.1	13
Burlington	224,499	11	329,930	10	105,431	4	47.0	2
Camden	392,035	7	471,310	6	79,275	6	20.2	10
Cape May	48,555	21	54,840	21	6,285	20	12.9	19
Cumberland	106,850	16	127,770	16	20,920	15	19.6	11
Essex	923,545	1	966,560	1	43,015	12	4.7	20
Gloucester	134,840	14	167,200	14	32,360	13	24.0	8
Hudson	610,734	3	607,230	3	-3,504	21	-0.6	21
Hunterdon	54,107	19	66,530	20	12,423	17	23.0	9
Mercer	266,392	9	309,530	11	43,138	11	16.2	14
MIDDLESEX	433,856	5	578,090	4	144,234	1	33.2	7
Monmouth	334,401	8	449,860	8	115,459	3	34.5	6
Morris	261,620	10	361,250	9	99,630	5	38.1	4
Ocean	108,241	15	166,780	15	58,539	8	54.1	1
Passaic	406,618	6	463,810	7	57,192	9	14.1	16
Salem	58,711	18	66,950	19	8,239	19	14.0	18
Somerset	143,913	13	198,720	12	54,807	10	38.1	4
Sussex	49,255	20	68,120	18	18,865	16	38.3	3
Union	504,255	4	575,190	5	70,935	7	14.1	16
Warren	63,220	17	74,290	17	11,070	18	17.5	12
New Jersey	6,066,782		7,203,510		1,136,728		18.7	

A 1960 Census - Figures as of April 1, 1960

B Department of Conservation & Economic Development - Population of New Jersey - Figures as of July 1, 1968

Municipality	POPULATION							
	1960 Pop. (A)		1969 Pop. (E)		1960-69 Pop. Change			
	Pop.	Rank	Pop.	Rank	Actual	Rank	%	Rank
Carteret Borough	20,502	7	23,274	9	2,772	15	13.5	23
Cranbury Township	2,001	23	2,464	23	463	24	23.1	18
Dunellen Borough	6,840	18	7,714	19	874	21	12.7	24
East Brunswick Township	19,965	8	33,254	7	13,289	5	66.5	4
Edison Township	44,799	2	65,843	2	21,044	2	46.9	7
Helmetta Borough	779	25	1,013	25	234	25	30.0	12
Highland Park Borough	11,049	13	15,381	14	4,332	10	39.2	9
Jamesburg Borough	2,853	22	3,663	22	810	22	28.3	13
Madison Township	22,772	5	42,091	5	19,319	3	84.8	2
Metuchen Borough	14,041	11	16,364	12	2,323	19	16.5	20
Middlesex Borough	10,520	14	14,099	16	3,579	13	34.0	11
Milltown Borough	5,435	21	6,770	21	1,335	18	24.5	17
Monroe Township	5,831	19	9,082	18	3,251	14	55.7	5
New Brunswick City	40,139	3	46,468	3	6,329	8	15.7	21
North Brunswick Township	10,099	16	17,035	11	6,936	7	68.6	3
Perth Amboy City	38,007	4	42,192	4	4,185	11	11.0	25
Piscataway Township	19,890	9	36,875	6	16,985	4	85.3	1
Plainsboro Township	1,171	24	1,732	24	561	23	47.9	6
Sayreville Borough	22,553	6	32,331	8	9,778	6	43.3	8
South Amboy City	8,422	17	9,625	17	1,203	20	14.2	22
South Brunswick Township	10,278	15	14,135	15	3,857	12	37.5	10
South Plainfield Borough	17,879	10	22,318	10	4,439	9	24.8	16
South River Borough	13,397	12	15,775	13	2,378	16	17.7	19
Spotswood Borough	5,788	20	7,385	20	1,597	18	27.5	15
Woodbridge Township	78,846	1	100,754	1	21,908	1	27.7	14
Totals	433,856		587,647		153,791		35.4	

A 1960 Census (Figures as of April 1, 1960)

B Middlesex County Planning Board (Figures as of January 1, 1969)

Municipality	POPULATION PROJECTIONS (E)					
	1975		1985		2000	
	Pop.	Rank	Pop.	Rank	Pop.	Rank
Carteret	26,528	9	30,772	13	36,170	15
Cranbury	4,349	22	15,282	19	52,906	12
Dunellen	7,898	20	8,305	22	9,666	22
East Brunswick	44,850	7	61,403	5	81,668	6
Edison	82,772	2	105,289	2	126,523	3
Helmetta	1,119	25	1,425	25	2,275	25
Highland Park	16,285	16	17,334	18	18,344	19
Jamesburg	4,204	23	5,314	24	5,366	24
Madison	64,928	3	96,218	3	155,127	2
Metuchen	19,039	13	19,938	15	18,692	17
Middlesex	15,278	17	18,038	17	22,410	17
Milltown	6,631	21	7,362	23	8,555	23
Monroe	17,843	15	49,245	9	95,753	5
New Brunswick	51,332	4	58,544	6	68,635	9
North Brunswick	23,146	11	31,734	12	43,351	14
Perth Amboy	46,423	6	52,464	7	61,525	10
Piscataway	47,823	5	61,956	4	79,901	7
Plainsboro	2,367	24	19,825	16	57,363	11
Sayreville	40,541	8	52,213	8	70,498	8
South Amboy	10,697	18	11,966	20	15,274	21
South Brunswick	19,969	12	43,584	10	99,525	4
South Plainfield	26,487	10	34,451	11	44,058	13
South River	18,330	14	21,105	14	23,705	16
Spotswood	8,052	19	11,079	21	16,360	20
Woodbridge	115,269	1	137,684	1	168,545	1
Middlesex County	722,160		972,530		1,382,195	

E Middlesex County Planning Board - Comprehensive Master Plan

Municipality	PUBLIC SCHOOL ENROLLMENT (F)							
	1960		1969		1960-69 Enrollment Change			
	Students	Rank	Students	Rank	Actual	Rank	%	Rank
Carteret	3,064	10	4,539	10	1,475	10	48.1	10
Cranbury	355	23	454	23	99	22	27.8	17
Dunellen	1,344	17	1,681	17	337	17	25.0	19
East Brunswick	4,225	5	9,476 ²⁸	4	5,251	4	124.3	3
Edison	8,218 ¹⁸	2	15,033 ²	2	6,815	2	82.9	7
Helmetta	109	25	113	25	4	25	3.6	25
Highland Park	2,157	13	2,752	16	595	14	27.5	18
Jamesburg	985	20	1,270	20	285	18	28.9	15
Madison	3,511 ¹⁵	9	11,470	3	7,959	1	226.6	1
Metuchen	2,834	12	3,648 ²	13	814	12	28.7	16
Middlesex	2,066	14	3,785	12	1,719	8	83.2	6
Milltown	693	22	909	22	216	20	31.1	14
Monroe	1,093	19	1,285	19	192	21	17.5	21
New Brunswick	6,072	3	6,649	6	577	15	9.5	23
North Brunswick	1,496	15	2,963	15	1,467	11	98.0	5
Perth Amboy	5,787	4	6,473	7	686	13	80.7	8
Piscataway	3,912	6	7,850	5	3,938	5	100.6	4
Plainsboro	148	24	180 ⁶	24	32	24	21.6	20
Sayreville	3,666	8	6,326 ⁷	8	2,660	6	72.5	9
South Amboy	765	21	1,025	21	260	19	33.9	13
South Brunswick	1,477 ¹⁴	16	3,862	11	2,385	7	161.4	2
South Plainfield	3,889	7	5,569	9	1,680	9	43.1	11
South River	3,041	11	3,408	14	367	16	12.0	22
Spotswood	1,242	18	1,294 ⁷	18	52	23	4.1	24
Woodbridge	15,469	1	21,676	1	6,207	3	40.1	12
Totals	77,618 ¹⁷		123,690 ²		46,072		59.3	

^Middlesex County Superintendent of Schools



**ABSTRACT of RATABLES
MIDDLESEX COUNTY**

1969

Taxing Districts	1			2			3			4			5 Deductions						
	Taxable Value of Land			Taxable Value of Improvements Thereon			Total Taxable Value of Land and Improvements (Col. 1 + Col. 2)			Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger Systems Companies (C. 1-8, L. 1966)			(a) Exemption of Certain Water Supply and Sewage Disposal Structures and Facilities (C. 269, L. 1967)			(b) Exemption of Fallout Shelters (N.J.S.A. 54:4-3.48)			
1 Carteret Borough	\$ 25	154	825	\$ 51	511	440	\$ 76	666	265	\$ 1	039	430	\$			\$			
2 Cranbury Township	4	896	230	11	590	990	16	487	220		256	542							
3 Dunellen Borough	5	413	300	14	731	475	20	150	775		886	509							
4 East Brunswick Township	38	966	085	74	120	695	113	086	780	2	097	678							
5 Edison Township	51	907	688	175	882	929	227	790	617	2	700	383							
6 Helmetta Borough		559	755	2	614	985	3	174	740		36	355							
7 Highland Park Borough	7	237	200	33	133	250	40	370	450		511	093							
8 Jamesburg Borough	2	484	200	6	576	625	9	060	825		320	250							
9 Madison Township	19	536	830	84	877	120	104	413	950	1	161	820							
10 Metuchen Borough	9	447	400	36	070	803	45	518	203	1	451	238							
11 Middlesex Borough	8	770	650	38	381	550	47	152	200		435	900					1	000	
12 Milltown Borough	7	981	375	15	223	950	23	205	325		148	400							
13 Monroe Township	7	183	645	17	722	550	24	906	195		635	744							
14 New Brunswick City	23	061	150	85	130	675	108	191	825	7	201	025							
15 North Brunswick Township	24	606	875	59	754	080	84	360	955	1	037	175							
16 Perth Amboy City	18	295	525	37	859	600	56	155	125	1	440	735							
17 Piscataway Township	31	233	100	81	268	850	112	501	950	1	258	593							
18 Plainsboro Township	1	581	900	7	324	965	8	906	865		309	466							
19 Sayreville Borough	22	453	400	91	675	200	114	128	600	1	411	557							
20 South Amboy City	4	385	475	15	554	200	19	939	675		622	757							
21 South Brunswick Township	18	823	965	38	316	665	57	140	630	1	462	530					1	500	
22 South Plainfield Borough	24	292	425	51	353	625	75	646	050		728	200							
23 South River Borough	7	740	514	30	268	455	38	008	969		288	239							
24 Spotswood Borough	2	836	790	16	488	600	19	325	390		321	695							
25 Woodbridge Township	39	690	070	209	449	159	249	139	229	2	569	740							
	\$408	546	372	\$1	286	882	436	\$1	695	428	808	\$ 30	333	054			\$	2	500

		6			7	8		9		10 Equalization			11												
(c)		(d)			Net Valuation Taxable (Cols. 3 + 4 - 5 (d))			General Tax Rate to Apply per \$100 Valuation	County Equalization Table—Average Ratio of Assessed to True Value of Real Property (R.S. 54:3-17 to R.S. 54:3-19)		True Value of Class II Railroad Property (C. 139, L. 1966)		(a) Amounts Included Under R.S. 54:3-17 to 19	(b) Amounts Added Under R.S. 54:3-17 to 19 and N.J.S.A. 54:11D-7		Net Valuation on Which County Taxes are Apportioned (Cols. 6 + 9 - 10 (a) + 10 (b))									
\$		\$		\$	77	705	695	\$ 6.62	49	00	\$	32	919	\$	102	512	361	\$	180	250	975	1			
					16	743	762	5.44	47	00			942		21	130	517		37	875	221	2			
					21	037	284	7.05	46	00			91	680		29	549	225		50	678	189	3		
					115	184	458	7.23	50	00			2	652		121	784	570		236	971	680	4		
					230	491	000	6.66	42	00			552	005		336	278	728		567	321	733	5		
					3	211	095	7.23	44	00						6	730	964		9	942	059	6		
					40	881	543	8.14	45	00			8	071		51	597	312		92	486	926	7		
					9	381	075	7.33	48	00			17	786		10	471	386		19	870	247	8		
					105	575	770	9.98	45	00			122	900		131	898	846		237	597	516	9		
					46	969	441	8.22	42	00			619	163		69	196	507		116	785	111	10		
			1 000		47	587	100	6.87	49	00			12	790		54	058	121		101	658	011	11		
					23	353	725	5.53	49	00			7	409		27	031	022		50	392	156	12		
					25	541	939	6.74	42	00			3	336		36	255	689		61	800	964	13		
					115	392	850	7.44	46	00			827	508		149	587	323		265	807	681	14		
					85	398	130	5.52	44	00			196	201		145	809	986		231	404	317	15		
					57	595	860	17.72	24	00		1	138	189		209	225	841		267	959	890	16		
					113	760	543	7.52	46	00			1	688		145	439	849		259	202	080	17		
					9	216	331	4.12	43	00			4	842		14	424	405		23	645	578	18		
	51 200		51 200		115	488	957	5.54	41	00			99	054		216	458	515		332	046	526	19		
					20	562	432	6.80	44	00		5	959	361		26	417	416		52	939	209	20		
			1 500		58	601	660	6.92	50	00			465	189		68	035	760		127	102	609	21		
					76	374	250	6.95	48	00			344	744		90	682	857		167	401	851	22		
					38	297	208	7.04	47	00			3	192		45	603	115		83	903	515	23		
					19	647	085	8.22	46	00			196	423		28	489	090		48	332	598	24		
					251	708	969	7.74	36	00		3	770	210		502	136	701		757	615	880	25		
\$	51 200	\$	53 700	\$	1 725	708	162				\$	14 478	254	\$				\$	2 640	806	106	\$	4 380	992	522

12
APPORTIONMENT OF TAXES

	Section A County Taxes (Less Tax Due County on Bank Stock)										Section B County Library Taxes	Section C Local Taxes to be Raised for					Section D Tax Levy		
	I Total County Taxes Apportioned (Including Total Net Adjustments)	II ADJUSTMENTS RESULTING FROM				III Net County Taxes Apportioned	I DISTRICT SCHOOL PURPOSES			II Local Municipal Purposes (Less Tax Due Municipality on Bank Stock Tax See Ord. 13)		I Total Tax Levy (Cols. III + II + I)	II Add: Deductions Allowed Veterans and Senior Citizens (C. 173, L. 1963)	III Total on Which Tax Rate is Computed (Cols. I + II)					
		(a)		(b)			(a)	(b)	(c)										
		County Equalization Table Appeals (R. S. 54-2-27)	Deduct Over-payment	Add Under-payment	Appeals and Corrected Errors (C. S. 54-4-49, R. S. 54-1-32)		Deduct Over-payment	Add Under-payment	As Required by District School Budget						Regional Consolidated and Joint School Budgets	As Required by Local Municipal Budget			
1 Carteret	\$ 933 817 62		\$ 12 549 42			\$ 921 268 20		\$ 2 779 115 42			\$ 1 295 816 27	\$ 4 996 199 89	\$ 142 110 09	\$ 5 138 309 89					
2 Cranbury	196 218 66			390 76		195 827 90		578 921 00			125 429 06	900 177 96	9 990 00	910 167 96					
3 Dunellen	262 546 36					262 546 36		939 403 50			231 557 52	1 433 507 38	47 800 00	1 481 307 38					
4 East Bruns.	1 227 667 75			173 77		1 227 493 98		5 992 149 00			927 494 63	8 147 137 61	172 570 00	8 319 707 61					
5 Edison	2 939 095 74			1 659 02		2 937 436 72		9 891 399 00		1 143 999 00	1 038 474 97	15 011 309 69	330 100 00	15 341 409 69					
6 Helmetta	51 506 72					51 506 72		176 588 00				228 094 72	3 920 00	232 014 72					
7 High Park	479 142 80			373 90		478 768 90		1 272 569 11			1 513 837 47	3 265 175 48	60 580 00	3 325 755 18					
8 Jamesburg	102 941 20			9 42		102 931 78		450 347 00			113 477 28	666 756 06	20 150 00	687 206 06					
9 Madison	1 230 909 98				1 511 96	1 232 421 94	**	7 508 178 00			1 563 080 21	10 303 680 15	226 040 00	10 529 720 15					
10 Metuchen	605 023 18				43 30	605 066 48		2 127 077 00			738 199 40	3 770 342 88	89 600 00	3 859 942 88					
11 Middlesex	526 654 98				6 26	528 661 24		2 137 794 49			521 606 48	3 186 062 21	82 980 00	3 269 042 21					
12 Milltown	261 064 53			129 85		260 934 68		906 593 50			79 286 86	1 246 815 04	42 690 00	1 289 505 04					
13 Monroe	320 169 57				397 89	320 567 46		1 193 133 31			178 410 93	1 692 111 70	27 840 00	1 719 951 70					
14 New Bruns.	1 377 056 96			23 943 10		1 353 113 86		3 968 879 75		179 056 62	2 932 992 18	8 434 042 41	147 200 00	8 581 242 41					
15 North Bruns.	1 198 825 18			135 96		1 198 689 22	+	3 311 904 00			110 979 02	621 572 24	85 030 00	4 706 602 24					
16 Perth Amboy	1 388 206 91			33 639 89		1 354 567 02		4 081 334 80		371 139 00	4 217 778 68	10 024 819 50	175 430 00	10 200 249 50					
17 Piscataway	1 342 835 70			1 710 94		1 341 124 76		6 069 815 50			994 836 48	8 405 776 74	147 300 00	8 553 076 74					
18 Plainsboro	122 499 86					122 499 86	+	253 110 00			— 280 04	375 329 82	3 970 00	379 299 82					
19 Sayreville	1 720 217 24			20 782 42		1 699 434 82	+	4 259 893 53			248 847 67	6 208 176 02	181 050 00	6 389 226 02					
20 South Amboy	274 259 92					274 259 92		666 448 00		35 342 00	360 910 68	1 336 960 60	59 270 00	1 396 230 60					
21 South Bruns.	658 474 55				2 075 99	660 550 54	+	3 180 137 60			144 025 22	3 984 713 36	68 660 00	4 053 373 36					
22 South Plfd.	867 250 80				7 24	867 258 04		3 337 009 05			966 031 58	5 170 298 67	132 490 00	5 302 788 67					
23 South River	434 675 14			373 48		434 301 66		1 519 008 00			634 822 10	2 588 131 76	104 930 00	2 693 061 76					
24 Spotswood	250 394 69				72 67	250 467 36	**	1 003 909 00			315 511 30	1 569 887 66	44 900 00	1 614 787 66					
25 Woodbridge	3 924 943 20				3 178 66	3 928 121 86		13 400 780 25			1 567 983 52	18 896 885 63	581 730 00	19 478 615 63					
	\$22 696 399 24			\$95 871 93	\$ 7 293 97	\$22 607 821 28		\$81 305 497 81		\$1 729 536 62	\$20 821 109 47	\$122 463 965 18	\$2 988 630 00	\$129 452 595 18					

*Includes Transportation Note.
 †Excludes Transfer N.J.S.A. 40-48-17.1 and 17
 **Includes Addition to 1968-1969 Budget.

Bank Stock*** Tax Due Municipality	11 PROPERTY EXEMPT FROM TAXATION							15 Amount of Miscellaneous Revenues for the Support of the Local Municipal Budget					
	(a) Public School Property	(b) Other School Property	(c) Other Property	(d) Church and Charitable Property	(e) Cemeteries and Graveyards	(f) Other Exemptions not included in Foregoing Classification		(g) Total Amount of Exempt Property (a + b + c + d + e + f)	(h) Surplus Revenue Appropriated	(i) Miscellaneous Revenues Anticipated	(j) Receipt from Delinquent Taxes and Liens	(k) Total of Miscellaneous Revenues (a + b + c)	
						Real	Personal						
7 348 36	\$ 2 761 000	\$ 535 000	\$ 1 624 500	\$ 1 268 650	\$	\$ 2 350 800	\$	\$ 8 539 950	\$ 225 850 00	\$ 1 185 463 78	\$ 110 000 00	\$ 1 521 313 78	1
5 264 94	922 200		110 300	182 100	10 000	5 300		1 229 900	50 000 00	152 916 00	30 000 00	232 916 00	2
8 247 24	514 850	50 000	187 600	763 100		14 300		1 529 850	37 125 00	342 649 13	59 000 00	438 774 13	3
5 826 30	8 959 250	399 350	1 510 075	1 657 850	225 650	2 375 390		15 127 565	450 000 00	1 186 794 19	300 000 00	1 936 794 19	4
21 020 36	12 802 739	8 831 250	8 782 385	4 431 150	4 000	6 189 470		36 043 994	1 080 000 00	4 045 880 99	200 000 00	5 325 880 99	5
	44 030		19 270	141 240				204 540	13 382 88	80 141 12	4 500 00	98 024 00	6
3 179 42	6 661 350	210 200	2 473 150	1 575 850		71 400		10 991 950	189 000 00	402 807 35	62 000 00	653 807 35	7
1 978 72	1 039 150		79 300	544 000	210 000	346 000		2 218 450	75 000 00	99 481 27	45 000 00	219 481 27	8
7 702 88	9 143 850	846 870	455 690	2 976 660	33 020	894 550		14 350 640	299 000 00	828 529 58	277 000 00	1 404 529 58	9
10 425 86	2 818 600	448 050	1 133 700	2 585 770	62 230	479 390		7 527 740	300 000 00	600 833 06	83 000 00	983 833 06	10
1 393 52	3 095 150	472 200	1 480 300	406 200	1 350	265 100		5 720 300	393 000 00	532 910 00	60 000 00	985 910 00	11
3 095 56	1 015 400	380 000	256 350	892 300		15 450		2 559 500	57 000 00	403 244 68	26 000 00	486 244 68	12
840 12	988 400	4 549 250	205 900	100 950	21 500	830 900		6 696 900	125 000 00	254 068 95	100 000 00	479 068 95	13
30 625 54	5 205 850	31 862 225	9 710 850	9 609 200	253 050	928 700		57 569 875	511 000 00	2 898 990 21	240 000 00	3 649 690 21	14
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George J. Otlowski, Freeholder Director

Middlesex County, New Jersey

Testimony Before The

New Jersey Tax Policy Committee

February 17, 1971

Real estate taxes must be frozen. The homeowner can't stand one more cent of taxes on his home. The freeze must be immediate.

A whole new approach must be implemented to finance needed governmental services and the cost must be placed where there is an ability to pay.

The property owner now is bearing practically the entire cost of government. This burden must be taken off his back.

We have a vital decision to make - either we encourage the homeowner to own his home or we swallow up his home in taxes. New Jersey, if not the Garden State, is at least, a state of many individual homeowners, providing a place where people have had the special kind of identity and dignity that comes from owning a home. We are rapidly losing this.

We have crushed our senior citizen with the kind of tax burden we put on him. We are running him out of his house. We have destroyed the opportunity for young people to be homeowners.

An immediate tax revision, from top to bottom, has to come about. Tomorrow is not soon enough. It's already too late.

This complete tax revision should include:

- 1) An immediate tax freeze on the homeowner.
- 2) A homestead exemption of \$5000 for a single family home.
- 3) Elimination of sales tax on food.
- 4) A state corporation tax upon the profits of a corporation.
- 5) A tax on banks and their profits.
- 6) A graduated income tax tied into the federal

system so as to eliminate the administrative machinery necessary for its implementation. The starting point could very well be \$12,000 for a family of four.

- 7) Large complexes that house tenants should have a special tax imposed upon them depending on their profits, discouraging profiteering and providing for a fair share of the tax burden.
- 8) A special utility tax should be imposed based on use and ability to pay.
- 9) The implementation of the Musto Report for better county government.
- 10) A system of state real estate assessment, uniformly administered by state.
- 11) Effective state guidelines for the best land use, considering ecology, water use and availability, clean rivers and air.

While I am concerned with the welfare of all New Jerseyans, I am particularly concerned with Middlesex County and its county government. The paradox of a runaway inflated economy and increasing unemployment places unusual strains on our level of government. The homeowner is faced with rising taxes, the purchasing power of his dollar is constantly shrinking and his real income is disappearing.

It is this homeowner who supports the business of county government and municipal government. Every effort should be made to shift the burdensome costs of government from the homeowners.

I am also here to insist that the state assume a new role.

The state must take over our court system and provide realistic aid for our schools. In addition, the state should help us in our fight to convince the federal government to take over the cost of welfare and change its entire approach to public assistance. The huge costs of the courts, education and welfare should not - and cannot -

be the burden of the homeowner.

The progressive income tax serves the overall economy by reducing its share when times are bad and increasing its weight when times are booming. And most important of all, it is based on ability to pay.

This is not to say that all other forms of taxation are bad. They are simply inadequate and should be used solely as supplements; the Lottery, for example. Other taxes such as corporation taxes, bank taxes, etc. prove beneficial in giving governments flexibility in dealing with the complexities of the economy. It can deal with "depressed" areas, provide incentives for business growth and development in selective categories, use fiscal policy of encourage government programs and so on. But all these taxes should be, as I have said, supplementary.

We cannot depend upon revenue sharing to solve our own need for tax revision. Revenue sharing would be of insignificant help to the homeowner in our present plight and our unfair tax structure.

A state tax structure has to be based upon the ability to pay. The graduated income tax has been the best method devised.

The State Tax Commission has the opportunity to analyze, review and determine the kind of monies that would be made available for our needs in the broad outline that is presented here.

It should be boldly and conscientiously approached. It should be based upon the social and economic conditions of the twentieth century. We are no longer an agricultural state but an industrial, urban, and suburban state, with the problems and resources of that state.

A tax structure has to be devised to fit our present make up

and needs. Anything less is unworkable and unforgivable patchwork.

The Commission now has the opportunity and the duty to show the way to the legislature and the people.

TOWNSHIP OF WASHINGTON



COUNTY OF BERGEN

464 VAN EMBURGH AVENUE, WESTWOOD, N. J. 07675

Office of the
Tax Assessor
ORFEO CESAREO

Telephone:
664-1292

Dec. 19, 1970

Mr. Marriot Haines
Tax Assessor of Vineland
Vineland City, N.J.

Dear Mr. Haines:

Since I understand you are acting in an advisory capacity, in behalf of the State Assessors Association, to the legislative committee studying the revision of the tax structure of the State of New Jersey, I would like to bring to your attention the gross inequity resulting from the special treatment accorded the assessment and taxation of the personal property used in business of the Telephone & Telegraph Companies by Chapter 138 Laws of 1966 (Assembly 858) which revised chapter 54:4.

The application of this law reduces the already depreciated original cost of personal properties of the Tel. Cos. by applying to these values the equalization ratio developed as of Oct. 1 of the pre tax year for State School Aid purposes. In effect the law assumes that while Real Property is subject to inflation, the value of the Business Personal Properties of the Telephone & Telegraph Companies is not; quite an absurdity.

The following example of the effect of this law in lowering the assessed valuation of the Telephone Companies Personal Property in the Township of Washington, Bergen County, New Jersey, of which I am assessor, proves my contention:

<u>TAX YEAR</u>	<u>DEPRECIATED ORIGINAL COST OF TEL. CO. PROP.</u>		<u>EQUALIZATION RATIO</u>		<u>TEL CO. PERSONAL PROP. ASSESSMENT</u>
1969	\$ 330,582	X	.8971	=	\$ 296,565
1970	323,729	X	.8522	=	275,812
1971	331,187	X	.7554	=	250,178

Thus thanks to inflation, the Tel. Co. Personal Property Assessment is reduced from \$ 296,565 in 1969 to \$ 250,178 for 1971.

The net result is a generous reduction at the expense of the Real Estate Property Owner who is already overburdened.

Yours truly,

Orfeo Cesareo

Income Tax Proposal

Editor, Times Journal:

It is inconceivable in this computer age that real estate taxes are still used to finance schools and welfare, ever increasing costs which are burdening homeowners and those who rent. No responsible government official has come up with a tax proposal that is equitable, fair and sound. They insist on using 19th century tax formulas on 20th century incomes.

Trenton officials know full well that a constitutionally-revised tax structure is needed that would put the burden on those best able to pay, to put it into a form that would be the easiest to collect and to have a tax program whereby rich and poor alike would contribute the same percentage of their gross income to the state, which would most certainly grow with the economy.

(1) The state should constitutionally abolish real estate and sales tax. (2) It should by law reduce all rents accordingly (3) The state should take over and finance all schools and welfare, draw all the rules, make all regulations, pass all the laws, fix standard salaries to teachers according to tenure and rank, and distribute teachers evenly in rank to each school whereby all municipalities and wards in the state would receive the equal in education and welfare. (4) Religious schools approved by the state should receive 50 per cent of the state cost to educate each child. (5) Local governments in the state should finance themselves by licensing homes, business acreage, professionals, industries, etc. — a fee for each category.

To finance all this two forms of taxation should be levied: (1) Let's call one a "State Head Tax." A tax of 4 per cent on gross earned incomes starting from the first dollar earned, no exemptions except humane ones. (2) The (2nd) a "State Income Tax," a tax of 5 per cent on all gross incomes earned starting for single persons the first dollar after \$4,000, allowing \$1,000 for the first dependent and \$750 thereafter. For married persons filing jointly — \$5,000 and \$750 for each dependent. If filing separately — \$2,500 each and \$750 for each dependent. The percentage of the "Head Tax" should never exceed the "State Income Tax." With a reported total state income of over \$30 billion, the above percentage could raise \$3 billion.

The above percentage figures are not to be interpreted as an authority on taxation but, rather, as an example as how equal taxation can accomplish the necessary revenue according to ability-to-pay. I firmly believe the income tax I propose to replace the real estate tax would see more home improvements, more garages, more home ownership, more cooperative apartments, better schools, fight air pollution and build badly needed rapid transportation, etc., etc.

I strongly urge all of you to bombard Trenton not to permit Newark to levy a so-called "Wage Tax". Such a tax if permitted would start a disastrous trend. I also urge all property tax associations to study my proposal and to push forward and fight for its enactment. Do not listen to big money rhetoric or settle for a 50 per cent real estate tax reduction. Write to Trenton, send a copy of this letter. Real Estate Tax, No! State Income Tax, Yes!

SAM ARMATO

Box 149

JUN 17 1985



