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P U B L I C H E A R I N G

before

Assembly Committee on Taxation

on

ASSEMBLY BILL NO. 172
"Homestead Tax Exemption Law"

Held:
June 26, 1968
Assembly Chamber
State House
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Webster B. Todd, Jr. [Chairman]

Assemblyman Richard W. DeKorte

Assemblyman John J. Fekety

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ASSEMBLYMAN WEBSTER B. TODD, JR.: We are coming up on the appointed hour. We will call this public hearing to order.

The purpose of this hearing is to consider Assembly Bill No. 172, known as the "Homestead Tax Exemption Law." I am Webster Todd, Jr., Chairman of the Assembly Committee on Taxation. This is Assemblyman DeKorte on my left and Assemblyman Fekety on my right. I would hope that we will have some additional members of our Committee present later on. I have a list of people who wish to testify before the Committee at the hearing today. I have asked Mr. Alito, who is right over here, if there are any additions to the list that I have prepared, and he has given me several. I would ask in the interest of order that, when we call a particular witness, he take the chair immediately to our left here and then we shall proceed.

As a matter of legislative courtesy, I have advanced Assemblyman Jackman to the head of the list, and I would like to begin the hearing by having him proceed.

A S S E M B L Y M A N C H R I S T O P H E R J.

J A C K M A N: Mr. Chairman, I have been requested by my Mayor and Board of Commissioners of the Town of West New York to present to this Committee a resolution, and, with your permission, I would like to read it now:

[Reading] Whereas, There is now pending in the New Jersey Legislature Assembly Bill No. 172 of the 1968 Session which proposes a provision for exemption from tax of homesteads at the municipal level; and

Whereas, A public hearing is to be had on this Assembly Bill and it is desired that this Town support the said measure as from a careful examination

of the text of the bill discloses that it would be a benefit to the Town and its citizens, particularly its home owners;

NOW, THEREFORE, BE IT RESOLVED that this Town go on record as a supporter of said legislative measure and that a certified copy of this resolution be forwarded by the Clerk to the Sponsors of this Bill, Assemblyman Fekety and McLeon and the Chairman in charge of said public hearing and Assemblyman Christopher Jackman;

BE IT FURTHER RESOLVED that Assemblyman Jackman, as our Legislative Representative as being from this Town support and vote for said Bill when it is ready for enactment.

Signed by Thomas E. Raimondo, the 25th day of June, 1968.

With your permission, I would like you to have a copy.

ASSEMBLYMAN TODD: Thank you, Assemblyman Jackman.

ASSEMBLYMAN JACKMAN: Gentlemen, I have one brief statement to just give you some analysis of a small community.

West New York has a population of approximately 37,000 people. It is nine-tenths of a square mile. There are approximately 2400 property owners. Within that area, there are 133 acres of second-class railroad property. Now, gentlemen, that property brings into the Town of West New York approximately \$900,000 in tax revenues. However, \$450,000 of that is paid by the railroad and approximately \$450,000 by the State of New Jersey. But this is reduced over a ten-year period at a rate of approximately \$45,000 per year so that by the year of 1977 the Town of West New York will have reduced from \$900,000 in tax revenues to approximately \$450,000. Gentlemen, that money must come from some place and of necessity it comes from the small property owner.

Within our community we have many, many elderly citizens. These people today because of the tax structure and the needs of those who take care of our community -- we have approximately 200 policemen and firemen -- and I don't have to tell this Legislature or the members that are sitting here today on this Committee the need for increases in salaries of these people -- and the money must come from the property owner.

Gentlemen, the only salvation of the small property owner will come with this bill's enactment.

I have a telegram that was sent to me by the Democratic organization in the County of Hudson and rather than read it, I will leave it for your edification. It reads along the same lines as our --

ASSEMBLYMAN TODD: Do you want to read it?

ASSEMBLYMAN JACKMAN: With your permission, I will.

Thank you.

This was addressed to me and it reads as follows:

[Reading]

It now should be apparent to you as well as other State officials that small homeowners as well as civic-minded, public-spirited citizens interested in preservation of our urban centers are aroused over growing problems to the homeowner, and look upon so-called homestead exemption of \$5,000 on assessed valuation as one means of reducing the burden on their backs.

As County Democratic Chairman, it is my desire to inform you that the official county administration policy of our organization - yours and mine - supports this type of legislation wholeheartedly and we call upon you to bend every effort to bring this about as a necessary relief and a stimulant to enable our communities to grow.

The same type of legislation has been successful in Florida and is responsible for the reasonable

tax obligations there. It can have the same effect in New Jersey, provided it is limited to those who actually live in their own homes and not to the speculators.

Our older citizens, the seniors, and in many cases the aged, with fixed incomes, are among those who own these small homes and are in desperate need of such legislative help. Also young couples starting out in life in recent months and years have bought homes to find them as burdens rather than blessings. This is your opportunity to give responsible service to your community and its taxpayers.

This is signed by John J. Kenny, Chairman, Hudson County Democratic County Committee.

That is briefly my statement. If there is anything I can add further - if there are any questions you would like to ask, I would be very proud to answer them. I appreciate your kindness. Thank you.

ASSEMBLYMAN TODD: We appreciate your appearance, Mr. Jackman. Are there any questions. [No response.]

I would ask that any witnesses appearing before the Committee today, if they do have a prepared statement, even if they are going to read same, that they be kind enough to leave copies with the members of the Committee prior to testifying. It would be greatly appreciated. Also, when you come up, if you will state your name and the organization you represent, it would be helpful.

The next on my list is Herbert H. Fine.

H E R B E R T H. F I N E: My name is Herbert H. Fine. I am tax counsel of the City of Hoboken and I am here representing Mayor Louis DePascale. Mayor DePascale's statement is very short. He simply wants to express his extreme concern in regard to the tax plight of homeowners in the State and is

in favor of any effective measure which would decrease the owner's burden of taxation on his home. He has very often expressed the view that perhaps something which has been forgotten, but nevertheless is very true, is that the basis of our democratic society is the home and that if onerous taxation minimizes that position in any way, it should be corrected.

ASSEMBLYMAN TODD: Mr. Fine, obviously if we exempt certain properties or portions of certain properties from present rates of taxation, there will be a decrease in revenues unless that source is made up. Do you have any thoughts along that line or suggestions as to where this might be picked up?

MR. FINE: I would say this, sir, that what you say is obviously true, that any decrease has to be picked up by some other classification of property and it may be necessary or appropriate to review our entire tax structure so that the heavy burden of all taxation does not fall necessarily upon all real property owners, not necessarily homeowners in particular. But the homeowners certainly deserve serious consideration.

ASSEMBLYMAN TODD: Do you think that in the case of an exemption such as this or one that is suggested in this particular piece of legislation, the net result might be an increased rate on the remaining assessed value of a particular piece of property that might result in no change at all in the tax bill?

MR. FINE: It would depend in large measure, of course,

upon the proportion of homeowners in any particular municipality on what effect that would have. It is, of course, true that any decrease in the tax assessment roll effects an increase in the tax rate.

ASSEMBLYMAN TODD: Any further questions?

ASSEMBLYMAN FEKETY: No.

ASSEMBLYMAN DE KORTE: No questions.

ASSEMBLYMAN TODD: Mr. Fine, thank you very much.

Mr. Allan Roy Bardack.

A L L A N R O Y B A R D A C K: My name is Allan Roy Bardack. I am President of the Jersey City Real Estate Board, 895 Bergen Avenue, Jersey City.

I appear before you today in favor of passage of Assembly Bill 172. The time has come when tax relief must be granted to the small homeowner if the basic American tradition of homeownership is to be preserved and encouraged, especially in our older, larger cities. The great problems of the urban crisis have caused real estate taxes to soar in recent years to the point where, unless legislative attention and relief is now forthcoming, homeownership in urban areas will become a liability and not an asset. The Homestead Act Exemption Law, which you are considering today, is a practical answer to this problem.

We are all aware of the urban crisis we are now facing in our older New Jersey cities. Although the problems are complex and require positive action in many different areas, we must now begin to pass meaningful legislation that will

begin to reverse this downward trend. In the field of taxation, relief for the small homeowner must be made now if the residential real estate market, especially in older communities, is to be saved. Consider, if you will, the unique problems of the older cities, as compared to the suburban and rural areas, then you will realize why, although this Homestead bill will affect all owner-occupied one- and two-family dwellings in the state, the greatest benefit will be realized where the need is the greatest - the older cities.

Over the years, as our cities have developed, because of being industrial and commercial centers, large urban residential areas came into being. Many of these neighborhoods, though containing older homes, have remained desirable as owners over the years have improved and updated their properties. However, in recent years, the real estate tax burden on the smaller homeowner has grown so that it has begun to cause an upheaval in these city communities. Today, homeowners, instead of using money to maintain and improve their homes, they are forced to use this money to pay the sharp increases in taxes with which they are now confronted. As a result, evidence of the deterioration can be seen in all parts of the city and as time goes on, will only increase, resulting in the creation of blighted areas. This will only aggravate the financial crisis of local municipalities, which result in slum neighborhoods.

To give you specific examples how this problem of taxation has affected real estate, let me speak of the Jersey City residential market with which I am very familiar. In the

past four years, our tax rate has increased over 40%. In 1968, our increase over 1967 is nearly 22% for a rate of \$158.91 per one thousand dollar assessment valuation. The effect of this new rate on the residential market has been so great that more property has been listed for sale in the past three months than in any previous year in recent memory. "For Sale" signs in great quantity are now seen in all parts of our city, including our very best residential areas. At the same time, there has been a drastic drop in the number of prospective buyers contacting realtor offices in Jersey City as a result of "For Sale" signs and newspaper ads. When a prospective buyer does call concerning a home, the first inevitable question is, "What are the taxes?" Our records indicate that recent residential sales have in many instances shown a sharp decrease in the sales price as compared to 1967 values. If this trend continues, and values keep declining, the residential base, which makes up to 40% of our ratables in Jersey City, will be reduced by tax appeals, which will be made by homeowners. This will only lead to still sharper increases in taxes to meet ever-increasing municipal needs.

And what of the small homeowner in the large city who chooses to remain where he now resides? His reasons for remaining in the city may be for convenience to work, the fact that he prefers city life to the suburbs or because of strong church and neighborhood ties that have come about over a period of years. Must he be made the "sacrificial lamb" in an unfair tax structure because he chooses city life? If he has been fortunate to save enough money to buy and occupy a home, which

has given him strong roots in the community, must he now find himself in a financial bind that will work great hardships on his family? It must be strongly pointed out that when I speak of the present real estate tax crisis in Jersey City today, this is not based on the 100% assessed valuation program which we, together with five other Hudson County municipalities, must comply with by February 1, 1968. It is obvious that the mayors of these communities have delayed complying with the new valuation program, realizing the disastrous effect this would have on residential real estate. For example, a typical two-family home, fifty years old, 5 and 6 rooms with some modernization, on a plot 25 x 100, would normally sell today for \$22,000 to \$25,000. The 1968 taxes would average between \$900 and \$1,000. Next year, under the new valuation program, with our present rate being cut in half, these taxes would easily be between \$1500 and \$1600 a year. How do you think the average homeowner will be financially able to meet this drastic increase? Rents are already at a peak so that the burden will in great part fall upon the actual homeowner. We foresee a sharp increase in mortgage foreclosures, especially in V.A. and F.H.A. loans, which have been the mainstay of our local mortgage market. I might add that many of the homeowners who have bought in recent years, are of minority groups. If we allow them to lose their homes because of this tax crisis, it would be a great setback in the community. In addition, one family homes will be hit the hardest. Already the one-family market today has slowed to a grinding halt. Sales that are being made show a sharp

decrease in value over 1967 prices. Next year, anyone who is fortunate enough to find a buyer for their home, will be forced to take a much lower price to help offset the drastic tax increase. New residential construction will no longer be feasible causing city residents to leave for the suburbs if they desire modern homes. At the same time, much needed construction jobs will go down the drain.

It must be realized by other municipalities throughout the State that in Hudson County compliance with the 100% valuation program is vastly different than in their communities. The reason for it is that business and industrial communities have been traditionally assessed at higher rates than residential properties. It is the shift of valuation from the industrial and business properties to residential that will cause chaos to homes in a revaluation program. Until such time that a more equitable assessment program can be arrived at, the Homestead Act Exemption Law is the only practical solution to this immediate problem. The suburban municipalities must not turn their backs and say this is our problem alone, for if the residential markets of the older cities are destroyed, the problems that arise from deteriorating neighborhoods will reach out and affect their suburban communities, either by the city residents fleeing to their communities in unprecedented numbers, which will cause crowded schools and other related problems, which will result in higher taxes. In addition, the older cities will then require greater State aid to resurrect new ghetto areas that will come into being. Therefore, in the long run, all residential

homeowners will benefit by this Homestead Bill. The additional cost to the business and industrial community can more easily be absorbed with less financial hardships than that which would accrue to the homeowners. At the same time, strong residential neighborhoods in cities give a greater stability to community, business and industrial life.

I cannot over-emphasize that time if of the essence in the passage of this bill. It is better to plug a leaky dike before it bursts than to try to control a flood. A Homestead Bill will restore confidence in the urban residential market and will be a step in the right direction to keep homeownership an asset and not a liability. [Applause]

ASSEMBLYMAN TODD: I would caution the gallery against further outbursts. We have a number of witnesses that we would like to get through today and delays of this nature will upset our proceedings.

MR. BARDACK: If there are any questions that you might want to ask concerning anything, I would be more than pleased to answer them.

ASSEMBLYMAN TODD: Mr. Bardack, not being intimately familiar with Hudson County, I would like to ask what the ratio of one- and two-family houses is to the total residential picture?

MR. BARDACK: Approximately 40%. I am speaking of Jersey City. I can't supply the county ratio. See, traditionally residences have been assessed 25% in Jersey City as compared to 40 to 50% of industrial and apartment houses, and this is the difference. It is the shift, whereas in some suburban areas

which are basically residential communities, the Homestead Act in the long run would result basically in the same net bill. It is just in the older cities where the great need is. When I speak today, I am really speaking about problems that are mutual in most of these older cities.

ASSEMBLYMAN TODD: What has been the reaction in Jersey City amongst the business community? Obviously, it seems to me that if this bill were passed, there would be quite a sizable shift in taxation. I also note by looking down my list of people wishing to testify that there is not a great deal of representation from the industrial community.

MR. BARDACK: I would imagine, to be perfectly frank, there is no question they wouldn't be happy about it. But in the long run, there are many, many industries that must stay in these older communities basically because of the type of labor and the access to New York City and so forth. If they would lose - for example, if the residential areas were really destroyed to the point that they couldn't get proper help locally, that suddenly neighborhoods deteriorated - and you know when neighborhoods deteriorate crime becomes a factor and this would become a security problem to businesses - in the long run they would be hurt. I always feel in a situation where business is involved, they can absorb it better than the small homeowner and the need for homes in the city is still there. We cannot come and bulldoze these homes and put up all high-rise apartment houses. It isn't like New York City where this is a very practical thing because of land values. There are many of these neighborhoods to be preserved and

they can be preserved by a bill like this. Other than that, I don't know what else can be done.

ASSEMBLYMAN TODD: You don't think in your opinion then that if such a tax shift took place, it would have an adverse impact on the industries presently located there?

MR. BARDACK: No. I honestly feel it would not.

ASSEMBLYMAN TODD: Any other questions?

ASSEMBLYMAN DE KORTE: Are you familiar with the provisions of Assembly Number 172?

MR. BARDACK: Yes, I looked it over.

ASSEMBLYMAN DE KORTE: Wouldn't this bill create a shift in the burden of taxation in the suburban communities as well as in the cities?

MR. BARDACK: Well, you would have to define the type of communities. If you go into some communities which are really basically residential, say 90%, which many are, I feel it wouldn't be that great. When you get into other communities that have been expanding and new industry has been coming in, I say "yes." It is true, there would be a shift. I mean, we must be practical. The money has to be made up somewhere. But it would not be as harmful or as great, of course, as it is in the older cities where the need is the greatest. I am sure that the speakers who follow me will bring this out. It is a situation where I know you can't pass special legislation just for the cities alone, but in the long run, if the cities' problems are not solved, they become the suburban problems as we are learning now in the urban crisis.

ASSEMBLYMAN DE KORTE: My question really relates to whether it wouldn't be more desirable to pass legislation directed to the cities themselves. I have in mind this: In the Hudson County cities particularly that we are talking about here today, there has been this differential in assessments and a change in that is what you are trying to cope with by this bill. Now in some of the suburbs - and I have in mind the ones that you talked about where industrial growth has been occurring recently - they don't have this historical differential between industrial and residential assessments and this bill, it seems to me, in those suburbs would create a windfall, perhaps an unneeded windfall, for the residential owner there.

MR. BARDACK: Unless there was a large amount of industry, it wouldn't occur. If it was mostly residential, it wouldn't matter because if the exemption came, then the tax rate would go up, but the net result would basically be the same. But historically, you are right. I believe what you are saying is correct.

But the answer is that everyone is looking now to Trenton for some relief in this situation because we see it. We are in the industry day and night and we see what is coming and we don't want to come back here after this occurs. The best legislation is never passed under just crisis conditions, as you know, and we see it coming. Gentlemen, we must comply with the 100% valuation. We don't believe it is fair necessarily, but this is the situation. We are under court order now to act as of February 1st and if it has to be done, this is why we must get relief now in this session so that by January 1st we

will have it.

ASSEMBLYMAN DE KORTE: Incidentally, that February 1st date, that is February 1st of what year?

MR. BARDACK: 1969. That is under court order.

ASSEMBLYMAN DE KORTE: I believe your text says 1968.

MR. BARDACK: I'm sorry. I beg your pardon.

ASSEMBLYMAN TODD: Any further questions? [No response.]
Thank you very much.

I would like as a matter of legislative courtesy to advance Assemblyman McLeon to the top of the class, I guess.

A S S E M B L Y M A N A D D I S O N M. M C L E O N:
Mr. Chairman and members of the Committee: First I must apologize. I do not have prepared copies for the members of the Committee at this time.

ASSEMBLYMAN TODD: Mr. McLeon, may I for your own benefit ask you to introduce yourself to those who are not as familiar with you as we are.

ASSEMBLYMAN MC LEON: Mr. Chairman, and distinguished members of the General Assembly Standing Committee on Taxation, my name is Addison McLeon, a fellow member of the current New Jersey State Legislature, and I represent District 12-A (part of Hudson County) along with Assemblyman John J. Fekety from Bayonne.

ASSEMBLYMAN TODD: Thank you.

ASSEMBLYMAN MC LEON: As I was saying, I don't have copies at this time for the Committee nor the press because of our lengthy sessions the last two weeks, but I do intend to have copies within the next few days for each member of the Committee

for whatever purpose you might need it.

Gentlemen, I am here today to speak on Assembly Bill 172, of which Mr. Fekety is the prime sponsor and which has motivated today's public hearing, and a responsive and energetic civic interest throughout Hudson County and the entire State, with the strong desire that the 100% assessment formula on real properties of homeowners be somewhat relaxed and relief in some form be given said homeowners. And the nearest relief in sight is Assembly Bill #172, introduced January 29, 1968, by Assemblyman Fekety and myself as co-sponsor.

The nearly seven-year old New Jersey Supreme Court ruling that all property be assessed equally failed to spell out that along with equality, there also be fairness in assessment. I fail to see neither equality nor fairness in the ruling. Industry and business previously assessed at 65% of true value and homeowners previously at 25% to 35% of true value both now are assessed at 100%. So obviously this means much higher taxes for homeowners and much lower taxes for income-producing industry and business. I fail to see the equality and I fail to see the fairness.

Assembly Bill No. 172, now in your Committee, often referred to as the "Homestead Tax Exemption Law," tends only to give the homeowner some tax relief beginning January 1st, 1969, on the place of his domicile, his actual residence, until such time as a more equitable taxing measure is implemented. Said relief would be in the form of a tax exemption not to exceed \$5000 of the total assessed value or not to exceed 50%

of the true value, whichever is the lesser. For example, a parcel of property assessed at \$20,000, 50% being \$10,000, would rule out the percentage choice of exemption because the maximum exemption of \$5000 would be the lesser. Therefore, said parcel of property would be taxed at \$15,000 instead of \$20,000, and in Jersey City where the tax rate is now \$158.91 per thousand, it would be a relief of \$794.55 per year. Even with this relief, the taxes on said property would amount to \$2,383.65 per year on a parcel of property which is now taxed at about \$1,200 a year. That is to say, without the passage of Assembly Bill 172, the tax would be \$3,178.20, and remember, gentlemen, I am only talking about a parcel of property assessed at a true value of \$20,000, not to mention the many parcels of property in the higher brackets. Remember, I took that as an example to point out also that this exemption is not a 25% exemption, the higher the value of the property, the less percentagewise is the result.

Mr. Chairman and members of the Committee, the thought of living with 100% assessment is both frightening and frustrating, and even more so to those in their golden age and the retirees who grew old paying for their homes to enjoy them upon retirement, only to find that what was once an adequate pension now is entirely eaten up in taxes before provision for the basic necessities of survival, such as food, clothing, medical needs, housing maintenance, etc.

Gentlemen, 100% assessment is hitting Hudson County the hardest, harder than any other part of the State and I think this bill would do much to help relieve this situation.

I would like to impress upon the Committee that should this bill be passed - and I am sincerely hoping that it will be released and brought to a floor vote and passed - that New Jersey will not be setting a precedent in the home exemption field.

I would like to cite a few examples of states that currently do have a successful working homestead tax exemption law. Alabama has an exemption of \$2,000. Florida has an exemption of \$5,000; Hawaii, \$5,500; Iowa, \$2,500; Louisiana, \$2,000; Minnesota, \$4,000, old Mississippi, even Mississippi, \$5,000; New Mexico, \$200; Oklahoma, \$1,000; and Texas, \$3,000.

I cite these facts to impress upon you that other states have probably fallen under a similar ruling and have done something about it.

In conclusion, Mr. Chairman, I would like to add that there is also a fiscal note to this bill because most people want to know whenever you do something, "What is it going to cost?" I would like to read from the fiscal note. Enactment of Assembly Bill No. 172 would not affect State revenues. The Department of the Treasury states that the only State costs would be approximate \$25,000 per year, to be utilized in investigative and clerical help. That's all. And that's a minimal cost to effect a grand saving and the restoration of the faith of the people in our fine legislative body.

In conclusion, gentlemen, it is my most serious wish and that of my constituency of Hudson County, namely, Jersey City and Bayonne, that the first order of business when we reconvene, be it September or October, will be a floor vote on

Assembly Bill No. 172, with the strong support of all members of the Legislature, regardless of party affiliation.

Thank you very much. [Applause]

ASSEMBLYMAN TODD: I would once again caution the gallery. I think your very presence indicates your feeling and certainly the impact is not lost on the members of the Committee.

Assemblyman McLeon, you mentioned half a dozen or so states which presently have exemptions of the same nature as is proposed in this bill. Are these long-standing exemptions or fairly recent modifications of the law?

ASSEMBLYMAN MC LEON: Mr. Chairman, I can't answer you in detail. Again I say due to our recent lengthy sessions, we are still in the process of research. I don't have that answer, but I can get it for you.

ASSEMBLYMAN TODD: In your opinion do you feel that the tax shift that would be generated by an exemption such as this would have any adverse impact on the business community? And by "adverse impact," I don't mean a rise in taxes; I mean primarily that you might lose some of your ratables, that they might move out.

ASSEMBLYMAN MC LEON: No, Mr. Chairman, I don't believe so because I don't believe there is any more ideally located state in the Union than New Jersey. Even with the current rates of taxation, it is a fact industry is still moving into New Jersey. In fact, I might even add with all the repercussions and expectations of Senate Bill 400 last year, with the strike

benefits, New Jersey has not had a sizable loss in business and industry.

ASSEMBLYMAN TODD: Any further questions? [No response.]

Thank you very much.

Mayor Fitzpatrick. [Applause]

MAYOR FRANCIS G. FITZPATRICK:

Mr. Chairman and honorable members of the Board: First I want to thank you for having this hearing and also for permitting me the opportunity to be heard. I know that you have had a few speakers before and I don't desire to cover the same ground that they have.

I would like to say in support of this bill, that it is paradoxical that while all levels of government are concerned with maintaining the residential stability of urban areas and concerned with eliminating blight in our older cities, the State Legislature has refused to take action in an area critical to the urban homeowner. That needed legislation is, of course, relief from the tremendous additional tax burden imposed on city homeowners by the 100% assessment practice initiated in recent years.

It is needless to restate the fiscal history of this State, which for many generations provided, and justly so, that the industrial or commercial taxpayer contribute a greater proportionate share to the cost of municipal and county government than the residential taxpayer. New Jersey thrived both industrially and residentially under this practice of having income properties assessed at higher rates.

Several years ago, this practice was ordered discontinued by the courts and assented to by legislative inaction. The reassessment of properties was then begun and is about to be ordered into effect in Bayonne and most of Hudson County and, of course, it is going to be with devastating effect. Owner-occupied residences in Bayonne, Jersey City and most of Hudson County will have tax bills increased from 50% and, in many cases, doubled.

Is it the policy of this State that we will stand by and allow urban residential taxpayers to be crushed by this shift of the tax burden from industry and commercial properties to homeowners? I don't think we could tolerate or survive such a policy. Speaking for the City of Bayonne, I am alarmed and fearful of the havoc the 100% valuation assessment practice is about to cause in our community.

The inaction of the Legislature can only be explained by assuming that there is wide-spread misconception about affording tax relief to residential homeowners through a "Homestead Exemption." Some mistakenly believe that the tax base will be changed. This is a fiction. The effect of the Homestead Exemption will simply be a maintenance of the present parody between the industrial and the residential taxpayer.

A Homestead Exemption acts in this manner: All properties in a given tax district are assessed at 100% of their true value. Residential owner-occupied properties are then reduced in assessment by a percentage of that assessment or by a fixed dollar value, that is to say, \$5000. The aggregate assessment

less the Homestead deduction is then used as the base for the levying of taxes equally against all properties. In this respect, the Homestead Exemption acts in the same manner as veteran and senior citizen exemptions.

No State tax studies will be interrupted. No change will be effected in the tax base. No inequity will be imposed on any taxpayer. The status quo, bad as it may be, will not get any worse.

If Homestead Exemption is not made the law of the land in this State, the Legislature - and this, I think, is most important - will be responsible for a substantial future cause of the ruin and blight of every older urban area in this State. This matter is probably the most serious piece of tax legislation that the Legislature has ever been asked to consider.

While the Federal and State governments pump money into urban renewal programs and programs aimed at the restoration and rehabilitation of urban residences, the State Legislature passively allows the urban residential taxpayer to be oppressed by this shift of the tax burden. The consequences of such inaction are obvious: a diminution of the value of residential properties, less money available to the homeowner to keep his home in good repair, a promotion of blight and a further exodus from the cities to the suburbs with all its attendant slum-producing consequences to the cities.

Now relief from the inequities of 100% assessment is not without precedent. I think this is very important, gentlemen. Approximately five years ago, the industrial and commercial

communities in this State received legislative relief from the inequities that were inherent in the personal property assessment practices in this State at that time. In other words, in the City of Bayonne, there was one industry that had a personal tax assessment of \$10 million and that has been reduced by this Legislature to nothing and the City of Bayonne gets nothing for that. There seemed to be little objection to legislative relief to industry and business when that need became apparent. Also I want to call your attention to the fact that the farmers of this State in 1963 through legislation received salvation from the fiscal tragedy of 100% assessment practice. There was a referendum put on the ballot, relieving them of the 100% assessment, and that was passed, by the way, in the City of Bayonne, two to one. We saw the justice of their claim. I am glad they did it and I think now is the time for the City of Bayonne and the older cities to be given relief by all people, those from rural areas and those from the suburbs and from the cities.

Now, five years later, the homeowners in Bayonne and the older industrial cities look to their fellow New Jerseyans for protection and relief from the impending tax injustice just as the farmers of this State looked to their fellow citizens in 1963.

I ask your help on behalf of every small-homeowning taxpayer in all cities of this State. I want all the citizens of this State relieved of this terrific burden. Therefore, I ask your support in formulating a Homestead Exemption amendment and in passing the tax exemption as advocated by Assemblymen

Fekety and McLeon.

I don't want to be dramatic, but I just think the issue now resolves itself down to this: Is it morally right to relieve industry of paying taxes on personal property and exempting the farmlands from the effect of 100% assessment, but continuing the taxpayers' burden in municipalities with punitive taxation?

Gentlemen, Daniel Webster once said - and this might be a little dramatic - "Massachusetts, there she stands," and I say, "Bayonne, there it stands and I hope it continues to stand and does not fall prostrate at the feet of this nefarious tax legislation." [Applause.]

ASSEMBLYMAN TODD: Mr. Mayor, obviously I don't seem to have any control over your constituents.

MAYOR FITZPATRICK: Neither do I. They are from Bayonne.

ASSEMBLYMAN TODD: Are there any questions?

ASSEMBLYMAN FEKETY: May I ask a question through you, Mr. Chairman. Mr. Mayor, as the bill stands now, I gather from talking to legislators throughout the State that some of them aren't too happy with the bill as is. I was wondering if I were to change the legislation to be permissive, meaning that if a municipality wants to grant this exemption, they may - I feel I would get more action down here in the Legislature if it were permissive legislation. What is your position on that?

MAYOR FITZPATRICK: You mean, if you would make it elective with the various municipal councils? I certainly would approve of that because I feel in Bayonne -- I think industry receives so many benefits from Federal taxation that the small

property owner doesn't get that there wouldn't be any injustice at all. And I think that if this bill were, as you said, made permissive with the various councils and commissions of this State, the governing bodies, it would be perfectly fair and equitable.

ASSEMBLYMAN FEKETY: Thank you. I feel the Committee would look with favor on this with that amendment.

ASSEMBLYMAN DE KORTE: Along the same line, Mr. Mayor, would you object at all if it were permissive in the sense of permitting a municipality to grant an exemption and give the municipality the right to determine the amount of that exemption up to \$5,000 or 50%?

MAYOR FITZPATRICK: Well, I would not be in favor of that entirely, but if that is the price we have to pay for it, I would go along and say yes. But it would be much better if we had one standard exemption.

ASSEMBLYMAN DE KORTE: The only thing I have in mind is that some municipalities may determine in order to equalize the shift in the burden caused by the 100% assessment case, it wouldn't be necessary to grant as much of an exemption as \$5,000 and making it permissive in this sense, would permit those municipalities to determine for themselves how much of a shift they had and how much of a shift they had to cope with. Again, I think it might make it more palatable to some of the legislators down here.

MAYOR FITZPATRICK: I think that would be fair, yes, sir.

ASSEMBLYMAN TODD: Mr. Mayor, a question I have asked almost all the other witnesses and I will address it to you - I

asked you this when you appeared before the Committee in closed session: Do you feel that any resultant shift in taxation caused by an exemption of this type would have an adverse impact on the ratables located in your community?

MAYOR FITZPATRICK: You mean that industry would leave?

ASSEMBLYMAN TODD: Yes.

MAYOR FITZPATRICK: No, sir, I don't. We are on the rise in Bayonne in industrial development. Our large industry has received a \$16 million tax reduction by virtue of Chapter 51 in the last six years and I can't conceive of any industry leaving Bayonne or any other municipality because of the many advantages in the State of New Jersey.

Incidentally, I would like to thank the Committee for permitting me to appear before it at your meeting here several weeks ago. I am very grateful.

ASSEMBLYMAN DE KORTE: Through you, Mr. Chairman, and along somewhat the same line, Mr. Mayor, - assuming this were not amended and were not made permissive, isn't it possible that the bill, if passed in its present form, would have the effect of giving industry an incentive to stay within urban areas or come to urban areas since there would be greater amounts of industry in cities such as Bayonne to absorb this tax shift than there might be in a more suburban community?

MAYOR FITZPATRICK: I think in any city in this State industry is capable of absorbing whatever shift there might be. I know it is definitely true in Bayonne and we are one of the most heavily industrialized cities in the State. Half of

our money comes from industry and half from the private taxpayer and you can see what is going to happen to 100% taxation there. But we don't have any trouble with industry. We have no tax appeals pending from industry at the present time in the City of Bayonne.

ASSEMBLYMAN TODD: If there are no further questions, Mr. Mayor, thank you for your second appearance before this Committee. We appreciate your taking the time to make yourself available to us.

MAYOR FITZPATRICK: Thank you very much. [Applause.]

ASSEMBLYMAN TODD: Mayor Whelan. [Applause.]

M A Y O R T H O M A S J. W H E L A N: I am Mayor Thomas J. Whelan from the City of Jersey City and I take this opportunity to say to you gentlemen I am grateful to you for the opportunity to come here today and speak in favor of this bill and to cite a few logical arguments as to why this bill should be enacted.

If New Jersey is ever to take effective action in its urban crisis, some way must be found to provide tax relief to urban homeowners because the tax crisis of the urban homeowner is at the heart of the crisis of the cities of New Jersey.

The historical and social pattern that has created the slums and ghettos that disfigure New Jersey cities is quite clear. The exodus of middle-class homeowners from an area is followed by the arrival of the poor, the uneducated and eventually the creation of a slum. Quite clearly too, the middle-class leave the cities in large measure to escape the

high burden of real estate taxation on their homes.

Governor Hughes recently proposed a program to provide \$25 million to stimulate rehabilitation and new construction of low-income housing in slum areas in an effort to erase New Jersey's ghettos. Certainly this is a far-sighted step in the right direction, but what will be its point if even while the program is under way new slums and new ghettos are still being created in our central cities? And that is surely what will happen if the exodus of the middle-class from the central cities to the suburbs is not halted.

Tax relief to enable people to continue living in the cities is clearly prescribed for all the cities all across our State. Hudson has another individual reason for supporting homestead exemptions and this is created by the spectre of the so-called 100% assessment on real property. To date, only seven of Hudson's twelve municipalities have made the switch to equalized assessments. The five which have not include Jersey City, Bayonne and Hoboken, the most heavily industrialized communities and the cities with the most severe problems in the county. Without some form of legislative relief, however, it appears certain that these five communities will be on the 100% standard next year.

Why should this be so troublesome? When more than 500 communities in all the other 20 counties can go on equalized assessments without major upheaval, why is Hudson County different? The primary reason is that Jersey City and Hudson County are the most urbanized areas of the United States. This is the most urbanized state and we are its most urbanized county.

We have more people per square mile than any area in the country. A full two-thirds of the total local tax levy in Hudson is paid by business and industry and apartment properties, what we call commercial-residential. Our residential base is small. Residents pay only 28 per cent of the total tax bill, these being the one- and two-family homeowners, by far the lowest in the State and only half the State average of 55 per cent. The effect of uniform assessments is to transfer the tax load from our broad 75 per cent commercial base and switch it to the narrow 25 per cent residential property base. The simple effect of this is to destroy the homeowner and this is largely the case in most central city areas of the State, although it is compounded in Hudson by our heavy dependence on railroad tax and by the policies of the State that have effectively removed such property from our taxing base. Just think of the increase in the tax rate in the City of Jersey City last year and this year we will receive \$300,000 less than we received last year in railroad taxes.

In most of the communities of the State equalized assessment has worked no real burden because residential property is by far the largest category of taxable property and any shift in the tax load to homes can be absorbed much more readily. It is naive to consider that industries in an urban area cut the tax load for homeowners. Industries and railroads by helping to create an urban area help compound the problems of the cities. They require a ready source of unskilled labor and consequently act as a magnet to the poor from other areas and countries. The cost to the cities of providing

health, welfare and hospital services for these people are astronomical. The industries require police protection for their property and providing that protection is not easy. Jersey City, for instance, has one of the lowest urban crime rates in the entire Nation, but we pay for it with a police department bigger than that of San Diego, which is twice our size in population.

It is the misfortune of most central cities to be old. Fire protection is a tremendous financial burden, a burden almost unknown in the new horizontal suburbs. What suburb knows anything about the cost of providing recreation for children who have never had a backyard whose only playground is the street, whose only toy is a broken bottle?

I point out these things to illustrate the unusual and costly problems a central city faces and to explode the myth that urban industry somehow gives the homeowner a free tax ride.

The cities are trying to fight these problems, but it is foolish to think that they can fight for long if they cannot retain their middle-class and we simply cannot do that if our tax policy is designed to penalize the middle-class resident and homeowner of the central city, if we continue, in other words, to treat transcontinental railroads with greater kindness than we treat our homeowners.

The State's entire tax policy needs restructuring. We desperately need, as we have said so many times in the last four years and so many times here in Trenton, a tax convention in the State. But these problems cannot wait for a

long, drawn-out solution. Imperatively needed and needed now is a program of tax relief for the urban homeowner. The homestead exemption is the best means now available.

Now we have been hearing much in the past three or four years, and particularly in the last year, in our Nation -- the President has had a Commission of high-calibre men studying the problem of the urban centers and in New Jersey Governor Hughes has appointed a similar board to study the problem of urban unrest and the decay of our central cities, and they have come out with some very profound and meaningful recommendations. In this hall here only in the last couple of days, the Legislature has taken some action, action which we can't agree is the answer, but action which will help. And what of all the Federal programs and what of all the State programs to solve the urban crisis and all that it means to New Jersey and all that it means to America if we by a system of taxation produce a condition in our central cities which will destroy and tend to destroy the effort and the work that these measures were designed to cure? Just think of the problems in our cities. At a time in the history of our Nation when we have produced the greatest gross national product in the history of mankind, we have people living in terrible, terrible poverty. In an age when we can put a man on the moon and possess the technological knowledge to do this, we are graduating from our schools boys and girls who are functional illiterates. At a time when we have the power to destroy practically any enemy on the face of the globe, the streets of our capital city in Washington and the

streets in our central cities are not safe for our people to be about their business in.

These are the problems of our time. These are the problems that can't be solved locally. These are the problems that some people say will destroy the very fabric of our society in this land. And at a time when we in the central cities are desperately struggling with the resources we have to meet our commitment and finding ways to solve these problems, we have a tax situation that is working against us.

So I am here today as Mayor of the second largest city in the State of New Jersey to join with my good friend and very able colleague, the Mayor of the great City of Bayonne in Hudson County, and the other mayors of the cities of Hudson County and our legislative delegation, to ask the Legislature here in our capital city to bring this reform about, to step in the right direction. I'll say here today and I'll say it for the record and I have said it many, many times before in the four years I have been Mayor, if we fail, if we don't meet this obligation, if we fail to meet the crisis of our time, which is the urban crisis in our central cities, you and I may not be sitting here in this type of an atmosphere much longer. For I am sure that if the crisis continues, the people of this Nation will give up their freedom for their security and if that happens, gentlemen, the greatest experiment in the history of mankind will have ended and your life and my life and the lives of our children will change drastically. Thank you very much for your kindness in having me here. [Applause.]

ASSEMBLYMAN TODD: Mayor Whelan, a little earlier we asked Mayor Fitzpatrick if this particular legislation was amended to make it permissive within each municipality, if that presented any particular problem to his city. What is your feeling on that?

MAYOR WHELAN: No, I think that we could live with that if it is permissive legislation and each municipality then on their own throughout the State could elect to choose this amendment or this relief, if you will. We could live with that. I would say that would be acceptable, yes.

ASSEMBLYMAN TODD: Any further questions?

ASSEMBLYMAN DE KORTE: On the same question really, Mr. Mayor, I am trying to think it through myself at this point. Can you conceive of any way in which making this permissive would be disadvantageous to the cities of Hudson County and particularly your city?

MAYOR WHELAN: I would say the answer to that question would be "no." That is as of the moment, off the cuff.

ASSEMBLYMAN TODD: Any further questions? [No response.] Mayor Whelan, thank you very much.

MAYOR WHELAN: Thank you, gentlemen. [Applause.]

ASSEMBLYMAN TODD: Mayor Rodger.

M A Y O R F R A N K E. R O D G E R S: I am Mayor Frank Rodgers of Harrison, New Jersey.

Mr. Chairman and Honorable Members of the Committee: I don't want to take up too much of your time, but speaking for the people of Harrison, New Jersey, I would like to have it recorded on the record that we are in favor of Assembly Bill

172. I think the situation with the tax is going to be a very severe one in the coming years and I would like respectfully to ask for your help. Thank you very much.
[Applause.]

ASSEMBLYMAN TODD: Mayor Olvesen of Weehawken.

MAYOR ARTHUR O. OLVESEN: Mr. Chairman and Members of the Committee: I am Mayor Olvesen from Weehawken. We are one of the communities that have been forced through mandate to go into the 100% taxation and I concur with the gentlemen who have spoken before me, Assemblyman McLeon, Mayor Fitzpatrick, Mayor Whelan, and Mayor Rodgers. I feel they have covered this situation very well, but I would like to just cite a couple of cases in the community of Weehawken where we have already hit our budget with 100 per cent and we have also hit our taxpayers some double and more.

It is a great injustice, first of all, to lower your industry to the point that the homeowner has to pick up the rest of the bill and I am wholeheartedly in support of Bill 172 so that we may relieve our small homeowner and those people that are on fixed incomes and have no way of raising the mandated tax dollar that is requested by the 100 per cent legislation. Thank you. [Applause.]

ASSEMBLYMAN TODD: Mr. Mayor, what is the percentage of one- and two-family houses in Weehawken?

MAYOR OLVESEN: The percentage, I would say, is two-thirds, approximately two-thirds.

ASSEMBLYMAN TODD: Any further questions?

ASSEMBLYMAN FEKETY: What is your opinion about permissive legislation on this tax exemption? Would you be in favor of it?

MAYOR OLVESEN: Well, as far as the tax legislation goes, I believe the urban areas are the areas that are mostly affected by this. You have residential areas throughout the State that the 100 per cent doesn't affect because there is no fluctuation between industry and the ratables of the property owner. I feel that the urban area has to be taken care of in some fashion.

ASSEMBLYMAN FEKETY: Mayor, you have said that basically your community consists of two-thirds, one- and two-family homes.

MAYOR OLVESEN: The percentage might fluctuate one way or the other.

ASSEMBLYMAN FEKETY: Approximately.

MAYOR OLVESEN: Yes.

ASSEMBLYMAN FEKETY: Would you look upon this with favor, making it permissive legislation in your community of giving a \$5,000 tax exemption or do you feel it would cause harm in the community?

MAYOR OLVESEN: No, I feel it will help the small homeowners and we are at the point where we must give them some relief.

ASSEMBLYMAN TODD: Thank you, Mayor. [Applause.]

Former Mayor Brady. [Applause.]

A L F R E D B R A D Y: My name is Brady. I am former Mayor of Bayonne, before I was nudged by Mayor Fitzpatrick.

In connection with this bill on which you are now conducting a public hearing, I have made some study at the direction of Mayor Fitzpatrick of the effect that it would have on the small homeowners in Bayonne. The studies reveal that a small homeowner presently assessed at about \$5,000 would have to pay \$600 under the present tax rate and assessment in Bayonne. But as soon as 100 per cent assessment went into effect, his taxes would rise to \$1,000 or more per year.

Now I believe in the system of taxation where the ability to pay is used as a measure of the tax. Your Legislature and the State departments are distributing State aid for schools and for other purposes, using that very principle, wherein they use as a measure of the community's ability to pay a fair share of the school tax, based on 100 per cent assessment, and they use that as a measure of the community's ability to pay taxes and the State will give the additional aid necessary upon that formula.

Now here is a case where industry, commercial business, earning an income, is being measured on their ability to pay and the small homeowner, paying a basic amount for just his own convenience of living in the city, is going to be increased pretty nearly two-thirds to double in his taxation unless this bill is passed. That is all the comment I have.

ASSEMBLYMAN TODD: Any questions? [No response.]

Thank you, Mayor. Nice to see you again. [Applause.]

Mayor Healey.

M A Y O R J O S E P H M. H E A L E Y: I am Mayor Joseph M. Healey, Town of Kearny.

I shall be very brief. I am here to represent the people of the Town of Kearny and to endorse Assembly Bill 172. We are one of the communities in Hudson County under the 100 per cent or true value formula. Despite the shift, we still feel that this 100 per cent or true value has caused havoc with our small homeowners and for that reason we think there should be some relief for the small homeowners in all the communities in Hudson County.

We also feel if an amendment is added to this bill, as suggested by Assemblyman Fekety, to make it permissive for municipalities, the Town of Kearny could live with it. We could live with either the bill as it is now or the bill as amended by Assemblyman Fekety to make it permissive in municipalities. [Applause.]

ASSEMBLYMAN TODD: Thank you, Mayor.

What is the ratio in Kearny roughly of one- and two-family houses?

MAYOR HEALEY: Approximately on a tax base industry pays 56 per cent and the homeowners about 44 per cent.

ASSEMBLYMAN TODD: Would you have any trouble, do you think, if this legislation were amended to be permissive in the municipality?

MAYOR HEALEY: No, sir, we have very cooperative industry which was demonstrated through our shift from the regular value to 100 per cent or true value. We had very cooperative industry. In fact, we are increasing the ratables. Just as a little plug, I might tell you if you read this morning's paper you would notice the Post Office Department just awarded a contract for \$34 million in the Town of Kearny for a new

post office - a ratable.

ASSEMBLYMAN TODD: Any further questions?

ASSEMBLYMAN FEKETY: Excuse me. Did you say the post office is a ratable?

MAYOR HEALEY: Yes, a ratable. This is one of the few communities where this has happened. This has been brought about after ten years of very hard work.

ASSEMBLYMAN FEKETY: They are leasing the property.

MAYOR HEALEY: They own the property. The building is being built and leased to the Federal government. The entire cost is \$37 million.

ASSEMBLYMAN FEKETY: You are very fortunate, Mayor. The City of Bayonne has 600 acres that the Navy took over and they are not getting one penny rent or tax on it.

MAYOR HEALEY: We had the same thing with the Kearny Federal Shipyards until after about five years of pushing and conferring with the Department of the Navy, we persuaded General Services to put a "For Sale" on it and it is now known as Port Kearny. I am not here for the Chamber of Commerce. We feel very sorry for the mayors who are deeply affected and we subscribe to this bill.

ASSEMBLYMAN TODD: Mayor Healey, one last question: Do you feel that an exemption of this type would create any problem - you have already, I think, indicated the answer - but create any problem with your industrial members of the community?

MAYOR HEALEY: Where a community has a good relationship and a very cooperative setup between industry and the administration,

I feel that a problem of this type would be very easy to work out.

ASSEMBLYMAN TODD: Thank you. [Applause.]

Mr. Edward Clark.

E D W A R D C L A R K: Mr. Chairman, Members of the Committee, and ladies and gentlemen: Initially let me say I feel more like an aspirin commercial today. I hope you will excuse the voice I am using, but it is the only one I have got to go with today.

Frankly when I think in terms of 100 per cent assessment in Hudson County, it becomes part of a monologue. It becomes part of an ever increasing financial situation, something that has become inherent, where the services and the costs, so vividly brought out by Mayor Whelan of Jersey and Mayor Fitzpatrick of Bayonne, of government have become so tremendous, for the people in the one- and two-family homes, which comprise, I may add, in excess of 66 2/3 per cent of Bayonne's population. With 12,000 taxpayers, this, of course, gives us obvious conclusions.

What we really come down to here is and what we have to face, both you and the officials in Hudson County, is the fact that the average homeowner in Bayonne and the taxpayer in any manner, shape or form, because even the man who pays rent also comes into this, this average individual, this little guy that is trying to get by in a one- or two-family home -- And if he is trying to raise a family and I am sure from looking at the age bracket here that you gentlemen are probably facing this problem right now - what we are really facing,

or simplifying it, what you come down to is the fact that the fellow that owns a home doesn't really own it. He is paying a mortgage. He is probably paying the largest bill he will ever pay financially in his life over a period of time and by this confiscatory tax what we are telling him, what we are telling his wife, what we are telling his children, is the fact that he is going to pay two mortgages now, not one. No matter how we cut the ice, no matter how we put it down, as far as one being in a mortgage book and the other one he may pay - well, in Bayonne, at the Revenue and Finance at 8th Street - we are still telling him this is what he is faced with.

Now I don't have to elaborate here on what the tax problems are. We know in New Jersey we have always been lagging. I frankly fought very hard and I felt most people in Hudson did for the \$750 million bond issue a few years ago. We knew we were behind. We knew we had a great deal of needs in New Jersey. But I think it behooves all of us to realize that we certainly can't solve our financial problems by continuing to turn around and tell the fellow who lives in the one- and two-family home, "Gentlemen, it's your bill and you have to pay it."

We have the ingenuity, we have the brains and we have the talent. Let's put it to work. Thank you very much.
[Applause.]

ASSEMBLYMAN TODD: Mr. Clark, as a Freeholder and therefore responsible for or responsive to countywide problems more so than local problems, do you see any adverse effect in inter-community competition as far as the ratables might be

concerned in an exemption of this type if it was made permissive? In other words, do you feel that the problem is so general that almost every municipality in Hudson County would avail themselves of this exemption?

MR. CLARK: Well, I think as far as Hudson County is concerned, there isn't any of the twelve municipalities that would be adversely affected by this type of homestead legislation at this point. We are dealing with a situation, particularly in Bayonne, if you want to lump it in sums, that is well in excess of \$4 million in both the county's share, the Board of Education's share and the city's share. These are astronomical figures, as I say. We are all familiar with the ever-increasing cost of service and the combination of this plus the variables that we really can't pinpoint - we certainly can't turn around. All we can say in Hudson is, "Here is what they have already done in West New York," or "Here is what they have done in this municipality where they already have this." What we do know though from a rule of thumb is that it certainly would be excessive and prohibitive to the point where it is going to hurt the guy we need most in that town. That's the backbone of our town, the one- and two-family homeowner.

ASSEMBLYMAN TODD: Any further questions? [No response.]
Thank you, Mr. Clark. [Applause.]

Mayor Hotaling.

M A Y O R W I L B E R T H O T A L I N G: Mr. Chairman,
my name is Mayor Hotaling, of the Borough of East Newark.

Gentlemen, I would like you to know that we are about the smallest community in the State of New Jersey. I am here to represent our people who ask support of Bill 172, and I might say that we are the most densely populated community in the State. Right now our tax rate could be about one of the highest. We pay \$155 a thousand. 75 per cent of our residents are homesteaders, property owners who are homesteaders, and about 50 per cent of these are senior citizens. This is why it is so important for my community and probably too for the residents of the State of New Jersey, these people who own the one- and two-family homes, upon whom the tax burden has been terrific.

As you know, most of us have lost the personal property tax. That has been taken away from us. The State collects it, but the county, school and the local taxes have to be borne by the residential people.

So I ask you gentlemen here today to please consider favorably Bill 172, in support of our citizens, so we can ease the tax burden just a little bit on them. Thank you. [Applause.]

ASSEMBLYMAN TODD: Thank you, Mayor. Are there any questions?

Do you feel, Mayor, that if this were made permissive, this would have any impact or change your thinking on it at all - in other words, a permissive exemption for each municipality to avail themselves of?

MAYOR HOTALING: I wouldn't have too much objection to it, but I would like to stick to the \$5,000 exemption which this bill calls for. I might add, gentlemen, that I don't think the

shift would reflect too much on industry because part of the shift and burden would go to the people who own apartment houses also and three- and four- and six-family homes would take part of this expense from the exemption on \$5,000. It wouldn't all reflect back on industry or commercial property.

ASSEMBLYMAN TODD: Thank you, Mayor. [Applause]

We will have a fifteen-minute recess. We will reconvene at 12:15 and continue the hearing.

[Recess]

After Recess

ASSEMBLYMAN TODD: I would like to call the hearing back to order.

At this point, I would mention we have received a statement from Mayor Paul Amico of Secaucus, a statement from Senator William V. Musto, a communication signed by Mayor Rodgers of the Town of Harrison and others, and a communication from the residents of North Bergen, New Jersey. All of these statements and communications will be made a part of the record.

[The statements and communications referred to above can be found starting on page 74 of this transcript.]

We are ready to recommence with our business.

Mr. Dugan will be next.

J A M E S P. D U G A N: Thank you, Mr. Todd.

I am the Corporation Counsel for the City of Bayonne.

[Applause] And I acknowledge the applause.

From the questions that you put to several of the witnesses that have testified here, it appeared to me that the thrust of

some of your inquiry was concerning what this would do, granted the equity that we want to accomplish and the relief that we want to accomplish for the urban residential taxpayer and all of the reasons that the Mayors have urged before me. I think they are self evident, but I can see some concern of this Committee with the shifting of the burden and I would like to give you an example now, if I may, that I think proves the proposition that no harm will come to any industry or anyone else in this State by reason of this legislation because this legislation is to maintain the status quo rather than take a burden and shift it to someone else.

Now I have some figures. I have tried to round them out and I have tried to make them as conservative as possible so that the figures reflect an industrial spokesman appearing before you and giving figures in favor of his proposition, urging against this bill.

I will take a community that has a one million dollar tax base, that the aggregate true value of all of that property in that community is one million dollars and there are 40 property taxpayers that would be exempt under this legislation for one that wouldn't be. You can see from that example that I have favored the argument against which I am speaking. Let's assume that the true value of the exempt properties in that community is \$900,000 and the true value of the industrial and non-exempt properties in that community is \$100,000. Now in that community I think it is realistic to acknowledge at the present time, setting aside sales ratio studies and so on and arriving at the mean by which all properties are taxed -

I think it is realistic to say that the residential taxpayers are assessed at perhaps 30 per cent of true value as against the industrial taxpayers being assessed at the rate of 50 per cent of true value. That situation has existed in this State for not generations, but centuries, until this recent series of cases that have brought this matter ultimately to your attention.

Now assuming those facts, the residential property taxpayers are paying at the rate of 30 per cent. They would then have an aggregate assessment of \$270,000 as against an aggregate assessment for industry and non-exempt properties of \$50,000.

Figuring what percentage of the tax base presently is assumed in this model community, we would arrive at a figure of 72 per cent of the taxes paid in that community being paid by the residential homeowners and 18 per cent of the taxes paid in that community being paid by the industries.

Now if the exemption was to be enacted - and I am using round figures for all of these things - if you gave 40 exemptions of \$5,000 each, that would mean a reduction from the true value of \$900,000 of \$200,000, leaving a balance of \$700,000 for the true value with the exemption that the residential property taxpayers would have. The properties that wouldn't have an exemption would still be assessed for a value of \$100,000.

Now figuring that new situation under this bill as against what the situation is today, you can see that the ratio of how much of the tax bill the residences pay is practically

the same as it is today without the exemption, but with the century-old practice we have of assessing income properties and industries at a higher rate than residences.

So I think there is a popular misconception. I don't know whether it has permeated this Chamber or not, but I know in the community at large there is sometimes a feeling on the part of people that are opposed to this legislation that they are going to assume more of the tax burden than they presently do, but such is not the case. I think all the tax studies that are made available to you in a variety of the communities throughout this State will show that there is no shift in the burden, but the status quo is maintained. I think if you do enact this legislation, there will even be a slightly higher tax bill to be paid by the residential homeowner. So they won't get complete relief. This is a plea for partial relief. It is not saying, "I am Mr. Residential Homeowner and I don't want to pay my taxes." That is not the case here. He does want to pay his just share of taxes, but he doesn't want to pay any more than that.

If you enact this legislation as it stands presently, there will be some slight increase in the residential tax bill and some slight reduction in the industrial tax bill. But I think equity will be realized if you do pass this legislation rather than chaos being realized if you don't.

I thought I would limit my remarks to those actuarial figures that I gave you, hoping that if there were any of your colleagues that were troubled by that problem, you could bring this argument to their attention. Thank you very much.

ASSEMBLYMAN TODD: Thank you, Mr. Dugan. Are there any questions?

ASSEMBLYMAN DE KORTE: Does the result change in your arithmetical example if you postulate a community that has never had a differential between its assessments of industrial and residential property?

MR. DUGAN: It would, but not as dramatically as your question suggests for the reason that I think all of the studies that have been made and all of the data that has been made available by the Tax Assessors Associations and all of the Tax Commission studies - I think the number probably reaches 8 or 9 now - show what you suggest might be an isolated incident in some community and the industry in that community would still not suffer the impact that might be suggested by your question.

ASSEMBLYMAN DE KORTE: Well, let's try to quantify if we can the extent of that suffering. Suppose you postulated a community that had historically assessed everything at 100 per cent of true value and that isn't such a wild assumption in view of the fact that many communities in the State are just now beginning to grow and have so taxed both residential and industrial property since they have known any industrial property and one in which industry makes up approximately 10 per cent of the ratables and residential property makes up approximately 90 per cent of the ratables. Do you think that you would have a dramatic shift of the burden of taxation from residential to industrial?

MR. DUGAN: No, I don't think it would work out that

way and I think that the litigation that is presently in many of the counties where communities have been brought to task after they have implemented 100 per cent shows that they implement the 100 per cent assessment and then the sales ratio studies that the Local Property Tax Bureau continues to conduct reveal that it is an implementation of 100 per cent in name only and that in fact there is still a spread between the practices of the assessor in assessing industries and his same practice in assessing residential properties. I think it is a fact of life that 100 per cent has been so resisted, even in the communities where it has been implemented, that there have been successful attempts to minimize it and those successful attempts lead to continued litigation in the court where the court says that this is the law and unless the Legislature gives you relief, I am going to order you to reassess again with a consequent expense to the community. So it seems to me it is a never-ending cycle - resistance on the part of the local officials, justifiably so, that results in litigation.

ASSEMBLYMAN DE KORTE: We may appear to be working at cross purposes; we are not. I suggest to you that even if you don't assume a failure by local officials to do that which the courts have ordered them to do, you can demonstrate arithmetically that a change in any community you may postulate, just as I did, would not be as dramatic as I suggested.

MR. DUGAN: I agree. It would not be. That might be suggested by someone who is violently against or takes a position against this legislation. But in fact, I agree with

the arithmetic that you suggest, that that would not be the case.

ASSEMBLYMAN DE KORTE: Thank you.

ASSEMBLYMAN TODD: Anything further? [No response.]

Thank you. [Applause.]

Mr. Joseph Talafous.

J O S E P H J. T A L A F O U S: Mr. Chairman and members of the Tax Committee: My name is Joseph J. Talafous. I am an attorney in Jersey City and I am counsel to the Country Village Association, which is a civic organization located in Jersey City, part of which extends into Bayonne.

I have been asked to represent the residents and taxpayers of this area, which number several thousand families, being a new community about six years old, averaging about 800 homes, 100 per cent of which are one- and two-family homes.

We support Assembly Bill No. 172. We have had meetings on it. We have discussed it. We have had copies of the bill and we are 100 per cent in favor of it.

Home ownership as a desirable goal is a concept deeply rooted in American tradition. For the moderate to low-income American family, however, it has become increasingly impractical.

Assemblyman Addison McLeon stated to you earlier regarding the State exemptions. I want to also point out that even the Federal government, realizing this home ownership concept, in an effort to correct the situation, the 90th Congress in the first session in 1967 had hearings on Senate Bill 1592 and House of Representative Bill 8820. This was sponsored by 39 of the 50 United States Senators and 111 of the

members of the House of Representatives, which introduced the National Home Ownership Foundation Act, the NHOF. The concepts of this bill were numerous, but paramount and first was the need and necessity of home ownership over a Federally-subsidized rental housing for low and moderate-income families. The home ownership concept carries with it - and this is as a result of the hearings that were conducted - the connotation of benefits to both the participant and the society in which he lives. Home owners are seen as more responsible, more community oriented, more likely to keep up their own property and respect that of their neighbors. And this is found on page 707 of the 1967 Congressional Hearings. The possibility of owning one's home is viewed as an incentive to thrift, hard work, educational drive and family solidarity. Congressional reports indicate that among the beneficial effects of home ownership are: neighborhood improvements, the curbing of vandalism, fewer school dropouts, encouragement of savings programs, improvement of credit standings and development of community spirit and involvement. Incidents have been cited in these congressional hearings where property owned by residents of urban riot areas was spared and Negro homeowners pledged to defend the police and firemen.

According to the 1960 census of the U. S. Department of Commerce, Consensus of Housing, Volume 27, on page 212, The nationwide proportion of owner-occupied housing for Whites in the United States was 64.4 per cent, for non-Whites, 38.4 per cent. It is estimated in these same hearings that Newark has about a 25 per cent combined White and non-White

figure for home ownership. In Jersey City, we have approximately 40 per cent, as was stated earlier. The Bedford-Stuyvesant Section of New York has only a 15 per cent home ownership and Harlem has 1 1/2 per cent.

The percentage of existing one-family homes insured by FHA for families with incomes less than \$4000 has fallen from 42.8 per cent of the total in 1950 to 1.3 per cent in 1966. So you can see that this percentage of existing home owners has in 16 years from 1950 to 1966 dropped off almost 41 per cent.

For new home ownership, the drop is from 56 per cent in 1950 to 1 per cent in 1960 and 1966, and families in the \$4000 to \$5000 bracket annual income in 1966 constituted less than 5 per cent of those with insured mortgages on existing homes. This was brought out on page 711 and page 1139 of the Congressional hearings.

I am pointing out these figures to you to show that the Federal government is pushing all the programs today for home ownership and in the testimony the Department of Housing and Urban Development is suggesting and encouraging experimental and pilot programs for home ownership. Private organizations in the field of low- and moderate-income housing as well as Negro leaders who testified exhibited a belief in the possibility of widespread home ownership and this was supported by Rev. Wood from Roxbury, Massachusetts; Dr. Wright from Newark; and Whitney Young of the National Urban League in their congressional testimony. They support a quasi-public foundation, which is to be known as the National Home Ownership Foundation, to be

set up and to finance one- and two-family homes for the moderate- and low-income families. Under the proposed NHOF Act, Congress would authorize the establishment of this foundation to obtain mortgage credit and aid qualified organizations in initiating, developing and conducting home ownership programs and use of private funds and banking and insurance funds. Neighborhood home owners develop a new image of themselves as responsible, decision-making individuals, as members of the community.

Some cities like Philadelphia, as was cited, have had their municipal governments hold off any increase in property taxes when these homesteads, one- and two-family houses were renovated and vastly improved, - in the first few years they would be given a tax credit.

Both the Federal Urban Renewal and the Model Cities programs also require citizen participation and encourage citywide advisory groups, looking for citizen involvement.

The Legislature should do something about this home ownership exemption before the full effect of the 100 per cent assessment ruling makes small home ownership virtually impossible in cities. As you can see, the Federal government is doing a lot and they are pushing programs for small home ownership and we feel the same should be done by the New Jersey Legislature and you gentlemen in releasing this bill to the full Legislature can help.

For years the small homeowner has been enjoying an "unofficial" homestead exemption because the city assessors would undervalue such property. As a result, the tax bill

was smaller. Taxes are so high today that if the average small homeowner is assessed the real worth of his property, the homeowner must go broke. Also under the new law that was passed by the Assembly June 3rd, all deeds must state the true consideration either on the document or by affidavit annexed thereto. This will show the true consideration in the sale of a piece of property and the market value of the property will be a public record. Assessment will be at its real worth. Real estate taxes, therefore, on one- and two-family homes would be confiscatory.

The very survival of one- and two-family ownership in the cities almost certainly rests upon the speed with which the Legislature can provide this homestead exemption. This is necessary right now in order to hold off the confiscatory tax bills until or unless the New Jersey Constitution can be amended to eliminate this 100 per cent assessment.

In my particular area, Country Village, where there is 100 per cent home ownership of one- and two-family homes, when the 100 per cent assessment goes into effect we feel there will be a terrific increase in 1969. Why? Because as a community about six years old, we have been paying taxes at the market value, which is a nominal value throughout by the tax assessor and, therefore, we have been taxed at the top dollar that any community can be taxed, especially in new housing. So in order to pay these increased taxes, there must be in essence less maintenance, less improvement, less upkeep, in order to make your ends meet or, of course, you just have to sell the property and move out to the suburbs, out to other communities.

For this reason, I have been asked to appear before you and we support Assembly Bill 172 wholeheartedly. Thank you.

[Applause.]

ASSEMBLYMAN TODD: Thank you.

ASSEMBLYMAN FEKETY: Through you, Mr. Chairman - of the homes in Country Village, which you are talking about, what has been the average tax bill?

MR. TALAFIOUS: The Jersey City rate being now in 1968, \$158.91 per thousand and the average assessment being about \$8,000 at the present time based on a total valuation of about \$30,000, \$25,000 to \$30,000, which makes it around a 35 per cent tax ratio, the bill would be \$158.91 times eight or around \$1200.

ASSEMBLYMAN FEKETY: \$1200.

MR. TALAFIOUS: Right - that's what the '68 taxes will be. Prior to this, of course, it was averaging about \$900.

ASSEMBLYMAN FEKETY: This is a tax bill of a Jersey City homeowner.

MR. TALAFIOUS: Right, in an area that is 100 per cent homesteads, with one- and two-family homes.

ASSEMBLYMAN TODD: The \$1200 bill would be on the 100 per cent basis?

MR. TALAFIOUS: No, then on top would be the 100 per cent basis and we feel that that would be another \$350 average per home.

ASSEMBLYMAN TODD: An average increase of \$350.

MR. TALAFIOUS: Right. Our city tax assessor advises us it will be anywhere from \$200 to \$400, depending on the particular

home and the improvements. So this would add to the \$1200 figure another \$300 or \$400, making the tax about \$1600. They have almost doubled in the last three years. In three years you have doubled your tax bill in the area of Country Village.

ASSEMBLYMAN TODD: Any further questions? [No response.]
Thank you. [Applause.]

Councilman Dennis Collins. [Applause]

D E N N I S C O L L I N S: Mr. Chairman and distinguished members of the Committee: My name is Dennis Collins. I am President of the City Council in Bayonne, New Jersey.

At the outset let me thank you very much for the opportunity to be heard today. My purpose in being here is to have the record show that on my own behalf and on behalf of the Municipal Council of Bayonne, all of the citizens of the City of Bayonne, the County of Hudson and many citizens throughout the State of New Jersey, I urge you gentlemen to act immediately to grant relief to the local homeowners by enacting a Homestead Act or any other action that would be necessary to change the constitutional and legislative process so that homeowners are not assessed by the same formula as income-producing properties.

We all know that taxes because of rising costs have been going up each year and the burden has certainly been tremendously bothersome to widows, to couples with fixed incomes and our Golden Age or senior citizen folks. Then too in families where a wife and husband are working and are probably in a somewhat different financial circumstance, the present tax

structure works a burden on them.

Then the enactment of the 100 per cent assessment program will without a doubt hit the small taxpayer, the homeowner, with an overwhelming increase.

The homeowners and taxpayers of Bayonne, the County of Hudson and elsewhere in the State of New Jersey, as you have already heard, are gravely concerned with this impending action. Under the 100 per cent rule, the assessments on some residential properties may be raised three times. Taxation can perhaps at a fair level be best worked out through the method suggested in Assemblyman McLeon's bill, No. 172.

Now I am going to conclude. I want to be brief. You gentlemen certainly have heard a great deal of testimony. The subject has been well covered by the previous speakers. However, I do ask you to heed the public clamor for this help. We are asking you gentlemen to take cognizance of citizens united in a common effort, seeking remedial legislative and constitutional recommendations on your part, if that be necessary.

The State has already acted on behalf of industry and commercial properties through the relief afforded them under Chapter 51, as well as acting, as Mayor Fitzpatrick earlier testified, on behalf of the farmer through a referendum.

We ask your consideration, gentlemen, that the small taxpayer, the homeowner, be afforded the same fair treatment. All of us who serve in government today, whether at the local,

county, State or Federal level, place a great deal of emphasis on urban beautification. I respectfully submit to you gentlemen that if 100 per cent becomes the law of the land in the State of New Jersey, we are faced with further urban deterioration in our urban cities, of which Bayonne, over 100 years old and the tenth largest city in the State of New Jersey, is one.

I urge you to recommend the placing on the November ballot a Homestead Tax Exemption proposal. Everyone assembled here today - I see many mothers with children - I see all the elected officials from the City of Bayonne - I see just about every elected official from the County of Hudson, the legislative delegation -- on their behalf as well as on my own, I again tell you I appreciate this opportunity; I thank you for affording it to me. I want to thank you for all here present for the consideration, the fair consideration, which is our request, that I am sure you will give this most serious problem. Thank you very much. [Applause.]

ASSEMBLYMAN FEKETY: Through you, Mr. Chairman - Mr. Collins, you hurt my feelings. I am the sponsor of the bill, not Addison McLeon.

MR. COLLINS: I understood, Assemblyman Fekety, that you were with the help of the Assemblyman. I am sorry if I made that error. I'd like the record to show I made a mistake.

ASSEMBLYMAN FEKETY: I just wanted to see you smile, Dennis. Thank you.

ASSEMBLYMAN TODD: Mr. Collins, you mentioned in the course of your testimony that perhaps this should be a referendum

statewide. Is there anything in particular that causes you to say that? And I ask this question because there is some concern that there might be a constitutional problem involved as there was with the farmland exemption act several years ago and that really has not been considered as part of the action necessary on this bill. I just wondered what prompted you to make that remark.

MR. COLLINS: That consideration, Mr. Chairman, would be with the purpose in mind that everyone seeking relief would be treated fairly. As pointed out earlier, when the farm question did arise by referendum, I can recall by at least two or two and one-half to one it carried not only in Bayonne but in the County of Hudson. Of course, I have heard earlier mention of permissive legislation for municipalities. However, the position we take is that while relief was given under Chapter 51 for industry and relief was given to the farmer, certainly there ought to be considered a fair relief to the homeowners who now will be excessively burdened if 100 per cent is to be fully enacted. These are some of the reasons that prompted me to mention that, sir.

ASSEMBLYMAN TODD: Any further questions?

ASSEMBLYMAN FEKETTY: Through you, Mr. Chairman, may I note that Councilman Dennis Collins is not an attorney and he is not giving a legal opinion at this time. This is just what he claims his past experience has been with constitutional amendments. But I feel as the bill is written, it does not require a constitutional amendment. This is my opinion and upon advice of the Legislative Research counsel, this bill is

good in its present form.

ASSEMBLYMAN TODD: I recognize that, Assemblyman Fekety. For the record, I just wondered if there was perhaps any particular opinion you might have had. I think that certainly this is an area that the Committee has concerned itself with and we want to give very careful consideration to this because if and when we take action on a program such as this, we want to make sure that it is done correctly so that, number one, no false hopes are created; and, number two, we don't wind up in a position that any action we take would be voided later on by the courts which really if we are honest about it were the creators of the situation in which you find yourself now.

MR. COLLINS: Mr. Chairman, my intent was that whatever necessary legislation is needed should be enacted. I hope I clear it up that way.

ASSEMBLYMAN TODD: No problem. Thank you, Mr. Collins.

[Applause]

Joseph Le Fante.

J O S E P H L E F A N T E: Mr. Chairman and members of the Committee: My name is Joseph Le Fante, Councilman, Bayonne, New Jersey.

At the outset I too would like to thank you for this opportunity to appear here this morning - or I should say this afternoon. I guess by now we are getting a little hungry, but I promise to be very brief.

President of the Council Collins stated that every elected official from the City of Bayonne is here, and for the record, there is one exception, our Congressman, who is detained

in Washington on some pressing matters. But we are all here today because we have the courage of our convictions and we firmly believe that this is the only relief that can be had to a very serious problem.

When Assemblyman McLeon addressed the Committee earlier, he said it was his opinion that this was brought about, this 100 per cent assessment or true value, in the practice of equality and fairness. We in Bayonne because of our complex of industrial, commercial, business and residential, can't see where this is going to work in total fairness both ways, all things being equal. For example, let's assume you have a large-sized business or industry presently in operation, in production for a profit, and that another gentleman happened to have a large back-yard setup where he has a little playground or pool for his children. All things being equal, the industrial vacant land is assessed at \$20,000 per acre because it is vacant land. There is no thought given whatsoever, Mr. Chairman, to the fact that no one, but no one, could put a price on what that vacant land is actually worth, what it is returning to a productive corporation who is manufacturing for sale a product at a very, very nice profit.

We in Bayonne are not against industry. The Mayor in this administration has proven that in the last six years. When he took office, there were many tax appeals pending against the City of Bayonne from local industries and through hard work and tireless effort, they are all rectified. Industry is satisfied in Bayonne. The proof of the pudding is that they are presently assessed approximately 40 per cent

higher than the average residence and there is no one moving. On the contrary, there is a heavy influx of potential industry in Bayonne. We are very proud of this. We don't want to lose it or hurt it.

Being an elected official, I am sure you gentlemen can appreciate this fact. You do get around. You travel in certain circles and you meet with people by request or by accident or socially or at civic affairs or otherwise and there is talk. As an elected official, from experience you must know that talk is a preliminary step to action and the talk in Hudson County is not very good at this point. To show you how this thing could boomerang, I recently had occasion to sit down with some local labor leaders. They asked my opinion on this thing. I do have some industrial relations background and I guess they respected my opinion and that is why I was called in on it. One older gentleman made a very good point, which I think is worthy of your consideration and should go into the record. He as much as asked the same question as the Honorable Mayor from Weehawken when he said, "Where is the small taxpayer going to go for the additional funds to meet his tax bill?" That is a good question. I don't think that they have such fat bank accounts that they could tap them. I don't think their checking accounts are so swelling, they could write an extra check. But they have to go to the source of income. When you break it down, in a town like Bayonne, where is their source of income but their employment and who is their employer? It is industry. So in a round-about way we may think we are providing some relief to promote equality and

fairness, but we are not. We can foresee some chaos that may result in tremendous hardship and I am sure you fellows have had your fill of that with that strike benefit bill. But these are the things that could arise.

Now the Committee has asked the question here - I don't remember the exact wording - but the question asked was: "If the tax load shifted, would industry move out?" As I said in the past and I would like to substantiate the fact again for the record, we have no exodus of industry in Bayonne. We have a tremendous influx, tremendous shoppers, tremendous market, to increase our industrial ratables and we would like to keep it that way.

I certainly hope that all the testimony given here today - and I am sure I speak for everyone involved - is falling on understanding ears and that if there is anything in the future you gentlemen may need assistance on, you will call on us. Thank you, Mr. Chairman. [Applause.]

ASSEMBLYMAN TODD: Herbert Zeik. [Applause.]

H E R B E R T L. Z E I K: Mr. Chairman and members of the Legislative Committee: My name is Herbert L. Zeik. I am the Finance Director of the City of Bayonne.

The hour is late and although I had a prepared speech of four minutes, I am going to cut it down to a minute and a half.

I would like to say a word on behalf of the people who are gathered here as spectators both downstairs and upstairs. They represent pensioners, widows, people on fixed income, people who have children that are going to college, people

that have children that are graduating and will graduate and expect to put them through college.

Now for too many years the local homeowner has been increasingly burdened with the ever-increasing costs of government, local, State and Federal. Every year his property taxes keep spiralling until he now faces the crisis of losing his home.

Legislators have been fully aware of the situation and to date the extent of legislative action has been the expenditures of moneys for reports by appointed commissions. To my knowledge - and I may be wrong - these reports - and I think they number ten or eleven - over the past 25 years have been received and filed and then placed in the archives.

Industries, railroads, manufacturers, are constantly given aid, advantages and protection. They have the benefit of the money to have representatives, attorneys and other lobbyists to present their case to you.

Perhaps one of the best features of our meeting here today is to indicate to the ordinary citizen that he does have an opportunity to be heard. You have been most gracious in granting us this privilege and these people in the audience probably for the first time have visited Trenton and have been given the opportunity to see the Legislature in action. The fact that you are holding these hearings today is an indication to these people that you are aware of their problems, you want to hear from them and you want to help them if possible.

The time has come for the end of costly and time-consuming commissions and reports and the commencement of legislative

action. The legislators must respond immediately to the plight of their constituents. The enactment of this Homestead Bill is a must and cannot be further delayed. Must there be demonstrations and loss of homes before you are moved to action? You constantly speak of the plight of the cities and you decry their decay. We are here today only to urge you to perform the duties of your office. There can be no valid reason why the Homestead Bill should not be passed.

The Mayors of our cities who are primarily entrusted with protecting the homes and the citizens of their cities have endorsed and approved of the Homestead Act. Newspapers have been replete with editorials. There was one in the Jersey Journal last night. There was one the day before. There have been editorials in every paper in Hudson County and I believe throughout the State, endorsing and approving of the passage of this bill. What else does the Legislature require to make them aware of the emergency of the homeowner?

Again I urge you to no longer procrastinate, but instead to legislate and let the voice of the people be heard. Thank you very much. [Applause]

ASSEMBLYMAN TODD: Thank you, Mr. Zeik.

Mr. Abraham Kravitz. [No response.]

Mr. Joseph Alfieri.

J O S E P H A L F I E R E: Gentlemen, my name is Joseph Alfieri and I hail from the small town of Secaucus. I am not here on behalf of any organized organization. I know you gentlemen have or should have a statement before you from our local officials.

I would like to add to the accolades that have been bestowed upon you by the previous speakers and say that you have done justly in the eyes of the little people in affording us the opportunity of coming here before you and letting our feelings be known, letting our voice be heard.

I could not add to the preponderance of statistics that have been already set forth before you gentlemen. I would like to say just one thing, that I am involved in my every-day life in the work of real estate. The involvement concerns little people, private homeowners, people from the private sector of life, people who have become tremendously concerned over real estate taxes in general.

The bill before you gentlemen for consideration at the present time is the only hope of salvation for many of our people on fixed incomes, many of our young families getting involved for the first time in a real estate investment.

I hope that in good faith you gentlemen will consider the feeling of the people, that in the spirit in which these hearings have been held, you will push for the enactment of the Homestead Exemption Act. Thank you. [Applause.]

ASSEMBLYMAN TODD: Thank you, Mr. Alfieri.

I would just like to say on behalf of the Committee that we certainly appreciate the kind words. This really is the only way when we do have a specific piece of legislation like this, that we can get a feel for its import and the impact it is going to have and it is a great help to us. I might say to those of you who have testified and will testify during the rest of the hearing, even those of you who are

in the gallery, we appreciate your attendance and the emphasis you have given because it certainly will become a factor in any decision that we would make.

Mr. Ed Meehan.

E D W A R D M E E H A N: Mr. Chairman and members of the Committee: I am here today on behalf of the Insurgent United Democrats of Hudson County which opposed the regular Democratic organization here in Hudson County in the last primary.

I also would like to speak in support of this Homestead Exemption called Assembly Bill 172.

Gentlemen, I would like to begin my remarks here today by forcefully explaining to you the real dangers of Hudson County's tax plight. These dangers threaten not only the people of our county, but the entire economic and social well-being of our entire State. Due to the 100 per cent assessment, millions of tax dollars previously paid by industry in Hudson County are soon to be extracted from our homeowners and rent payers. The fact is that many, if not most, simply cannot afford to pay the increases in taxes and rents. Thousands of taxpaying property owners will lose their homes. Middle-class tenants will be forced to move out of the county entirely. Lower-income families will be totally displaced. The combined municipal governments and county government of Hudson County will actually be faced, not with a taxpayers' strike, but with a taxpayers' surrender. Instead of tax revenues, they will collect unsalable homes. Jersey City and all of Hudson County's

governments will probably go completely bankrupt.

Then this burden of taxation, well over a hundred million dollars, will be placed on our already overburdened State government. The social implications of such economic disaster are totally unthinkable, but nonetheless they are pending and nonetheless they are real.

The building of a medical college in Newark displaced a neighborhood and caused a riot. The 100 per cent assessment in Hudson County will almost displace an entire urban population of twelve cities and towns and the massive unrest that may follow such a massive eviction should pose a great responsibility to everyone in State government today.

These vast dangers facing Hudson County are then a great problem for this State also. A solution is, of course, vitally necessary. No bogus solution will work. No political tiger bomb will heal this economic cancer, destroying Jersey City and Hudson County. The dangers of the 100 per cent assessment to Jersey City and to Hudson County and the resulting burden to the State, along with the resulting social chaos, are all but symptoms of an economic, social and political cancer, a cancer which is now killing our county and threatening to infect our entire State.

The Homestead Exemption then is needed to prevent this impending death of Hudson County and to prevent the infection of the State and to prevent the social death of most of metropolitan New Jersey, but the Homestead Exemption is not enough. It only cures the dangerous and painful symptoms. It does not cure the root cause of this cancer. This cancer which

now threatens the economy and social well-being of our entire State is rooted in the stupid, corrupt and wastefully extravagant management of our city and county governments. Industries have not been welcomed in Jersey City, but instead they have been chased out by our political climate and I would like to cite one instance of Pier Nine, which requested a causeway to be built which would cost \$80,000, exactly what they would pay one year in taxes. The causeway was not built, the industry moved out and after they moved out, then the city built the causeway.

Scandal after scandal has created an atmosphere of apathy and cynicism among our citizens. Layer upon layer of unnecessary political government, along with fat contracts, increase the budgets of our city and county governments. Unless eliminated, these root causes will increase taxes so much that with the ever-shrinking economy in Hudson, even with the Homestead Exemption, people will still lose their homes.

Along with passing the Homestead Exemption to treat the symptoms, a complete examination and purge is necessary to eliminate the root causes of this political cancer.

Now let's look at the record of these dying patients, Jersey City and Hudson County. In examining this record, let's talk commonsense and practical politics. For the last entire ten years, since the enactment of the 100 per cent assessment, the Kenny-controlled Democrats of Hudson County ---

ASSEMBLYMAN TODD: Mr. Meehan, I don't mean to interrupt you, but I would like for you to be a little less partisan and more on the subject before the Committee hearing.

MR. MEEHAN: All right. But I would like to point out that these same sponsors of the bill, the same parade of people that were brought up here today for publicity purposes, under Democrat-controlled Houses of the Legislature ---

ASSEMBLYMAN FEKETY: Just a minute. Just a minute.

MR. MEEHAN: --- and under a Democrat Governor never did anything to face up to the dangers of this law.

ASSEMBLYMAN TODD: Mr. Meehan --

ASSEMBLYMAN FEKETY: With due respect to you, Mr. Chairman - if you want a soap box, there is one out in the parking lot.

MR. MEEHAN: We had plenty of soap boxes here today.

ASSEMBLYMAN TODD: Mr. Meehan, if you could please confine your remarks to the Homestead Exemption Act, which is before this hearing.

MR. MEEHAN: Apparently we have seen a situation here today where I doubt very much if the sponsors of this bill are actually sincere in their intent and motive. The bill in itself is good, but in waiting ten years to do so, they are trying to place on the Republican majority here the onus and the dangers of the 100 per cent assessment. What I am trying to point out to you people today is that unless you add on to it a State law limiting the tax revenues and limiting the tax spending of these cities, this Homestead Exemption in itself will be meaningless. They will be back here in two or three years with the same root problems, the same bankrupt cities and the same danger of losing their homes and the fact that they tried to put on a political show today

after ten years of neglect isn't going to fool anybody in Jersey City or in Hudson County. And any attempt to muzzle any criticism of these people isn't going to be looked on with favor either.

I want to thank you for letting me make these remarks and I hope that this will lead to the State Legislature investigating the city and county governments of Hudson County entirely and go on from there and have a tax convention to change our over-all tax setup and, more important, to take steps to abolish unnecessary government, such as county government, which will bring in the decrease in budgets which is the real problem here and this is the problem that endangers the loss of homes and the loss of ratables to the people of Hudson County and nothing else, and no political tiger bomb and no bogus fooling around ten years after this law has been passed is going to settle anything until that is done.

Thank you very much. [Applause.]

ASSEMBLYMAN TODD: Thank you, Mr. Meehan.

Mr. Farinola.

I G N A T I U S F A R I N O L A: Mr. Chairman and Distinguished Members of the Committee: My name is Ignatius Farinola, a homeowner in Weehawken and a school teacher in Hoboken, New Jersey.

I represent just the plain taxpayer in my town. Most of the speakers here have spoken in anticipation of the 100 per cent assessment, but we in Weehawken are now under the 100 per cent assessment and here is the effect it had if I

may cite an example: Under the previous assessment my home was valued at \$5000. With a tax rate of \$113 per thousand, it gave me a yearly figure of \$565 in taxes. Now under the 100 per cent assessment, I am valued at approximately four times that amount and with a tax rate of approximately \$47 and some cents, it gives me a figure for anticipated taxes this year of \$940 by July 1st. That's an increase of \$375 or better than a 65 per cent increase in my taxes.

As was mentioned before, industry which was assessed at approximately 60 per cent of the valuation received a decrease and the homeowner who was assessed at approximately 30 per cent received a tremendous increase. The reason for this, of course, is to offset the ratio.

The trend of business, as far as corporate income is concerned, has increased drastically in the past years. All you have to do is read the Wall Street Journal and listen to news broadcasts to find out that business is doing fantastically well. They also are receiving numerous concessions, you might say, by the Federal government, such as Federal tax investment credits; the oil companies, depletion of oil wells; and, of course, the farmers. But little or no relief was given the homeowner.

We in Weehawken, have the Port of New York Authority occupying \$2.5 million in ratable land and paying us exactly zero for tax purposes. The only thing they contribute to our town is air pollution and massive tie-up.

If I may cite another example, the fixed-income group, such as the senior citizens - it has been established that they

need four to five thousand a year to live. They have no recourse other than to sell their homes or to create still another problem of senior citizen projects and if towns do have them, they must increase their projects. In our town, we don't have them - we anticipate some - but we will need in addition to what is already anticipated.

I cannot see how we in the urban area can survive without some kind of assistance. A massive exodus will prevail. Then it would only be transferred to a suburban area and become a suburban problem.

Therefore, gentlemen, in the name of the small homeowner like me, who is not looking for any profit in my home, but just the right to live there and maintain it, please consider passage of Bill 172. Thank you for the opportunity of appearing here. [Applause.]

ASSEMBLYMAN TODD: Thank you, Mr. Farinola.

Mr. Stanley Iacono.

S T A N L E Y I A C O N O: Mr. Chairman and members of the Committee: I also would like to thank you for affording me the opportunity to address you people.

I certainly feel proud, being a resident of New Jersey, to see democracy in action, as I have today.

I am a resident and taxpayer of Weehawken and also a member of the Board of Education. I also own land and a business in Jersey City.

I should like to join with all of the homeowners, urging the passage of the so-called Homestead Bill. In Weehawken, as you have heard previously, we have had our ups and downs.

Many people don't realize that the railroads were paying 44 per cent of our taxes. Weehawken taxpayers now are deprived of this benefit because of the reductions in the railroad taxes that we have to take. The homeowners have been forced to take up the burden of additional taxes. The 100 per cent assessment levy now made makes next to impossible the survival of the poor homeowner. This bill, believe me, gentlemen, will be a God-send to our residents, most of whom are on a fixed income from social security or pensions.

Gentlemen, I respectfully urge you to pass this Homestead Bill. Thank you. [Applause.]

ASSEMBLYMAN TODD: Thank you.

For the record, we have a resolution from the New Jersey Conference of Mayors, which will be included in the record.

[The Resolution adopted by the New Jersey Conference of Mayors can be found on page 85 of this transcript.]

That concludes our scheduled list of witnesses before this public hearing.

At this time I would like to thank all of you who took the time to come down here and appear either as members of the public or as witnesses before the Committee.

I would mention, as you know, the Legislature is in adjournment until September. The transcript of this hearing will be considered by the Tax Committee during the summer and action on the bill will be delayed until the Legislature reconvenes.

If there is nothing more to come before the Committee, I close the public hearing. [Applause.]

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STATEMENT OF PAUL AMICO
MAYOR OF SECAUCUS
COUNTY OF HUDSON

Gentlemen:

It was long ago determined that "the power to tax is the power to destroy." Although Secaucus is a suburban community that has had continued growth in the past several years despite the decline in many of our neighboring urban communities, I think we ought to recognize that our present tax system, now under 100% valuation, is an incentive for the towns of New Jersey to become slums. Where can we find justice in a system that punishes the homeowner who makes improvements on his home, and rewards those who allow their property to deteriorate?

Although I do not believe that Assembly Bill Number 172, know as the "Homestead Tax Exemption Law", to be the answer to all the inequities of 100% valuation and land-property tax in general, I believe that it is a significant step in the direction of providing relief to the backbone of our communities-the homeowner. I hope it will be the first step of many enacted by the New Jersey legislators to provide our state with a just tax system. I firmly believe that a society can only be as just and as democratic as its tax system.

The governing body of the Town of Secaucus has gone on record, unanimously, I might add, in endorsing this bill. In Secaucus, as in many other communities throughout the state, the town consists of primarily one family homes; homes in which the owners have invested

2.

a good part of their lifetime earnings. My colleagues on the Secaucus Board of Council and I vigorously affirm what Assemblymen Fekety and McLeon have written in their statement attached to this bill, namely that it is a legitimate and desirable function of the Legislature to promote and encourage home ownership and home improvement. In this matter only the State Legislature can fulfill this vital function. The people stand ready to benefit by this action, to build and maintain homes that will be a credit to our state and nation.

I would hope, and I would urge the members of the Legislature to give this bill due consideration. In so doing, I am sure that they will find the "Homestead Tax Exemption Law" a vital and necessary piece of reform legislation that will keep our tax system from becoming a weapon of destruction, a burden to the people of our state.

Paul Simon

S T A T E M E N T

by

SENATOR WILLIAM V. MUSTO

on

A 172 (Homestead Tax Exemption)
General Assembly Committee on Taxation

June 26, 1968

As one who has repeatedly advocated legislation of the type embodied in Assembly Bill 172 of 1968, I am happy to voice my support for this bill. As a matter of fact, it is virtually identical to this year's Senate Bill No. 75, of which I am the sponsor, and which is practically the same bill which I first introduced some years ago.

The object of this legislation is -- as you are well aware -- to relieve some of the crushing burden which New Jersey's property tax lays upon homeowners. The statement appended to the bill cites some statistics in regard to the weight of this burden and its increase over recent years. I might cite some more:

The report of the Division of Taxation for 1967 shows that local property taxes (allowing for exemptions already in force) amounted to \$1,412,023,000. Of this amount, \$1,248,206,000 was tax on real estate, of which \$736,243,000 was on residential real estate.

The enormity of these figures appears when you compare the total revenues of the State. All the so-called "major taxes" of the State government combined, according to the estimates in Governor Hughes' current budget, will yield about \$908,186,000 -- or \$340,000,000 less than local taxes on real estate. Homeowners alone pay about as much in taxes on their homes as the total amount of revenue from all our State sales tax, corporation tax, cigarette tax and motor vehicle fees and fuel taxes.

Now, a lot of tears have been shed over the impact of the sales tax -- its regressiveness -- in comparison with an income tax. The State Tax Policy Commission recently unveiled an ingenious scheme for combating its regressiveness through a system of refunds -- sort of a method of going up the "Down" staircase to reach the effects of an income tax via a sales tax.

But let me point out two inescapable facts:

1. That the local property tax is far more regressive than any sales tax we have ever considered. Let me quote from a recent study by a distinguished economist who in 1966 did a special study of "Residential Property Tax Incidence in Northern New Jersey"*: "This regressivity is a quite dramatic aspect of the tax's functioning in

*Appendix E to Economics of the Property Tax, by Professor Dick Netzer of the Graduate School of Public Administration, New York University.

New Jersey. Indeed, outside of a flat-rate poll tax or a particularly maladroitly designed sales tax, it is hard to conceive of a tax whose incidence pattern would be more regressive than the incidence of the State's property tax."

2. This savage regressivity is aggravated by the fact that far more revenue is extracted from this source than from any other source of revenue in the State. It is hard to understand the considerable agitation caused by the relatively mild regressivity of a sales tax producing about a quarter of a billion dollars, while there is apparent complacency about the far more onerous regressivity of a property tax that takes about three times that amount out of the pockets of the people.

This proposed legislation is a straightforward method for offsetting the inherent regressiveness of the property tax. The homeowner would be exempt from taxation on half the value of his home except that, when the home is valued at more than \$10,000, he would not be exempt on any portion of the assessment over that. Thus this proposal is aimed at relief for those who need it -- that is, lower and middle-income people with homes of modest

value. It is unconscionable to say -- as some tax authorities appear to be saying -- that people of that sort have some sort "of social obligation" to support the costs of government to the extent that they are now compelled to support them. This legislation does not deny that such people should pay their fair share; it merely attempts to bring their actual payment somewhat nearer to the level of fairness.

Now, as all legislators know, the best method of arguing against a useful piece of legislation is to claim that it is not perfect -- and this is always quite true -- and to assert that you have in mind an alternative measure which is perfect, or very close to perfection.

This is the attitude taken by the State Tax Policy Commission in its recent Twelfth Report. There is much of value in that report, but its treatment of the homestead exemption proposal is cavalier in the extreme -- consisting mainly of quotations from the commission's own Ninth Report (1958), with a comment that "The situation has not changed materially since the above review written in 1958."

But even the most casual glance at the statistical table which the Commission reprints in this recent report shows one

glaring "material" change. In 1957, according to that table, the local real estate tax totalled \$322,133,000. Turn to the latest report of the Division of Taxation and you will find that the figure for 1967 is \$803,945,000. A 150% increase in a decade may not seem "material" from the point of view of tax theorists juggling their decennial points and percentage signs; but to the actual man-in-the-street who must dig deep into his pocket to pay -- providing he is lucky enough to find anything left in that pocket -- it is not only "material", it is disastrous.

It is true that the State Tax Policy Commission offers us a theoretically more satisfactory alternative means of tax relief -- a system of "Property Tax Credit" to be "financed by the state." This is an appealing dream. The rude awakening comes in the final sentence of the section the commission devotes to this subject:

"Such a program would obviously require major additional state revenues. . .to make a substantial reduction in property tax rates."

This is almost in a class with a recommendation that, if we wait long enough, the Second Coming will bring a solution to all our problems.

I certainly cannot fault the commission for urging that the State take on more responsibility for assisting local governments. The County and Municipal Government Study Commission, of which I have the honor to be chairman, recently made several recommendations in the same direction.

But financial relief for municipalities -- in which, of course, homeowners and all other property taxpayers would share -- is one thing. Tax relief for homeowners -- that is, a more equitable share for them in comparison with other classes of taxpayers -- is quite another. There is urgent need that the homeowner get this kind of relief as to HIS SHARE of property taxation, quite apart from the need -- which I also consider urgent -- that reliance on the property tax in general be reduced. I would favor the greater fairness to the homeowner which is embodied in A-172, even if other proposals, such as the "Local Property Tax Credit", to relieve property taxes generally, were adopted.

You will, of course, hear this proposal attacked as "eroding the tax base." But I should like to point out to you that, by continuing the heavy imposts upon homeowners, by crushing out the pride and independence and community spirit that

traditionally are associated with a social system in which people own, maintain, preserve and pass on to succeeding generations the homes which they have acquired through their own efforts, and in acquiring, have established their "investment" in the stability of their society -- by doing this, which is what you are doing when you allow these taxes on homesteads to climb to punitive and confiscatory levels, you are eroding something far more valuable than the tax base.



New Jersey Conference of Mayors

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June 24, 1968

Hon. Webster B. Todd, Jr., Chairman
Assembly Committee on Taxation,
Law Revision and Legislative Services,
Div. of Legislative Information & Research,
State House,
Trenton, N.J. 08625

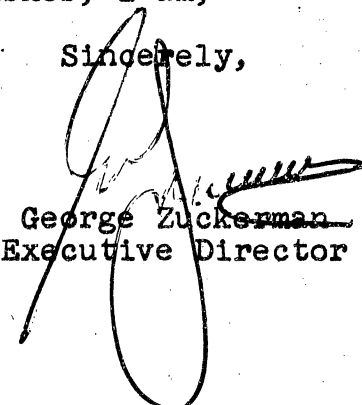
Dear Assemblyman Todd:

In connection with a recent communication from Samuel A. Alito concerning Assembly Bill #172, I am enclosing a copy of a Resolution adopted by the New Jersey Conference of Mayors at our Annual Meeting at Princeton University on May 24th last.

I would ask that this be made a part of the record of your hearings on Assembly Bill #172.

With all good wishes, I am,

Sincerely,


George Zuckerman
Executive Director

GZ:gct
encl

CC: Hon. Francis G. Fitzpatrick, Mayor
City Hall
Bayonne, N.J.

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CHAIRMAN

RESOLUTION CALLING FOR ENACTMENT OF HOMESTEAD EXEMPTION ASSESSMENT

INTRODUCED BY MAYOR FRANCIS G. FITZPATRICK OF BAYONNE

* * * * *

WHEREAS, the real estate tax burden in the several municipalities in the State of New Jersey has become oppressive and threatens the financial well being of residential property owners throughout the State of New Jersey; and

WHEREAS, the implementation of the judicial and legislative mandate of assessment of all real property at 100% of true value in many of the municipalities throughout the State of New Jersey will drastically increase this already oppressive tax burden on home owners throughout the State of New Jersey;

NOW, THEREFORE, BE IT RESOLVED, that the New Jersey Conference of Mayors does hereby petition the Legislature of the State of New Jersey to enact a Homestead Assessment or other appropriate legislation to relieve the oppressive residential tax burdens as set forth above.

