

TRANSCRIPT OF
PROCEEDINGS

Wednesday, June 19, 1974
East Orange, New Jersey

TRANSCRIPT OF PROCEEDINGS
commencing at 2:00 p.m., at;

EAST ORANGE CITY HALL
City Council Chambers
East Orange, New Jersey

C H A I R M E N :

Assemblyman STEPHEN P. PERSKIE,

Senator JOSEPH P. MERLINO.

Maryann Verbitski
Certified Shorthand Reporter

1 MR. PERSKIE: There has been distribut-
2 ed, I believe, to members of the press a copy
3 of the memorandum prepared under the direction
4 of the Committee with respect to our delibera-
5 tions of yesterday. There will be later
6 memoranda prepared that will set forth for
7 the benefit of members of the legislature and
8 members of the general public and the media
9 as to the deliberations of the Committee
10 as we go forward. The next scheduled meeting
11 of the Assembly Taxation Committee is scheduled
12 Friday morning, 9:30, Howard Johnson Motor
13 Lodge. The next scheduled meeting in the
14 assembly lounge in Trenton at 8:30 a.m.
15 Monday. There will be no committee meeting
16 tomorrow but a meeting in Hackensack at the
17 Freeholders' Chambers starting two in the
18 afternoon.

19 I would note, although a memorandum
20 is being in the process of being prepared
21 and probably circulated tomorrow morning
22 the Assembly Taxation Committee met this
23 morning here and we undertook a further
24 discussion of a good portion of the program
25 submitted by the Governor and that discussion

generally centered in three main areas.

Number one, it was determined by the Committee that it would attempt to be made to join the various proposed constitutional amendments dealing with Article 8 Section 4 dealing with the property tax. If an attempt would be made to join those various amendments into one master amendment it would simplify the proposal that will be presented before the people in the November Referendum. We have checked with -- as long as the various amendments comply with the same section of the constitution they can legally combine it. It will be our intention if we can do it to try and combine those questions into one.

Secondly, consideration was given to the proposed specific question on the property tax cap. Specifically, with regard to the propriety of the 6 percent limitation as opposed to any other limitation, a number of suggestions were solicited from the members of the Committee and we intend through the memorandum to solicit again with further suggestions of all the members of the legislature and, of course, the general public.

1 A third major area of discussion was
2 held with respect to the sales tax and
3 suggestions have been made from a number of
4 individual legislators with respect to modi-
5 fying and/or eliminating the imposition of
6 the State sales tax and the Committee staff
7 was instructed to report back on Friday with
8 the fiscal data that would be necessary in
9 order adequately to consider two major areas
10 of proposal.

11 One, to repeal the State sales tax
12 and, one, to repeal or reduce the State sales
13 tax to its present rate of 5 percent to a
14 rate of 3 percent. I want to emphasize that
15 the Committee has made no decisions of any
16 kind on any of these questions. We are at
17 this point in our deliberations raising the
18 questions for the sake of the public discussion,
19 both among members of the State legislature
20 and certainly among the members of the
21 general public. We welcome suggestions in
22 all of these areas again, both from members
23 of the legislature and members of the public.

24 Now, before I open the hearings for
25 testimony I want first to indicate that anyone

1 present who desires to testify who has not
2 already done so whould please speak with our
3 staff aid. Anyone who desires to testify
4 please speak with Pete so we can get your
5 name up.

6 Before I start we do have a number
7 of people who desire to testify. Before I
8 start I would ask Senator Merlino if he has
9 any comments or suggestions he wishes to make?

10 MR. MERLINO: I think we should
11 understand the purpose of this public hearing
12 and those which will follow. It is the
13 desire of this joint committee to gather as
14 much information as we can both in pro and
15 con and any suggestions which might be helpful
16 to the Committee perhaps in reaching some
17 conclusion. It's not our purpose to engage
18 in any debate with those who testify. We're
19 a fact finding group and I hope those of you
20 whoever are going to testify would keep that
21 in mind. We want to hear from you. We want
22 to hear what you have to say about the
23 proposal as you know it and what you have
24 to offer that might be beneficial to us.

25 MR. PERSKIE: The first witness or

1 the first person to testify will be the
2 Deputy Treasurer of the State of New Jersey,
3 Clifford Goldman.

4 MR. GOLDMAN: Mr. Chairman, members
5 of the Committee, it's a pleasure to appear
6 here today and to have this opportunity to
7 comment on Governor Byrne's program for
8 creating a constitutional fiscal base for
9 relieving property taxes. I'd like to present
10 a brief statement and on a fairly general
11 level and then a discussion of the Governor's
12 program, although this is a Tax Committee,
13 necessarily begins with a consideration of
14 New Jersey's education crisis. We have 1.5
15 million youngsters in the public school
16 system which is primarily and illegally
17 supported by local property tax. The wisdom
18 of that financing system is over. The system
19 is unconstitutional. A major change in that
20 system is essential in order to achieve a
21 thorough and efficient education. Our pro-
22 posal is designed to effect an orderly and
23 progressive change to improve the lot of
24 our school children while preserving local
25 involvement. The bills are consistent with

1 these goals. The joint education committee
2 assumes that awesome responsibility, the future
3 of generations of public school pupils. It
4 painstakingly studied the intricate system
5 of school law, determined that no child's
6 education be sacrificed to assertion, legalistic
7 or financial changes. Their success can be
8 measured by this standard. The school reform
9 program can only in official effect no child
10 suffers. By the same token our tax program
11 unlike some other being proposed is tied to
12 a person's ability to pay. No one is assessed
13 beyond his means. The tax which has been
14 most burdensome to the education of our
15 children and to households throughout New
16 Jersey is the property tax.

17 The property tax is incompatible
18 with the thorough and efficient education
19 because property wealth is spread unevenly
20 with no regard for educational need. The
21 property tax is ruinous to many families
22 because it rises and shifts about without
23 regard for family ability to pay the bill.
24 One result is the Sheriff's sale and the
25 slow anguish of depossessed families paying

1 \$2,000 a year out of an \$8,000 a year income
2 out of property they cannot afford to sell.
3 Our program will change the situation. It
4 will cut the local property tax burden by an
5 average of almost 30 percent and for the
6 first time it will put the property tax on
7 an ability to pay basis.

8 A home in Newark will receive nearly
9 a 50 percent cut in property taxes and the
10 resulting \$1,000 bill still too much for a
11 \$10,000 family to pay will be reduced further
12 under the circuit breaker by a \$400 rebate.
13 This massive property tax relief will be
14 brought about by the shift of schools, courts,
15 welfare and other costs from the local property
16 tax to a State income tax. The reductions
17 will be locked in by constitutional limits
18 on rate increases and spending increases and
19 by the circuit breaking mechanism which also
20 will be adopted by a constitutional amendment
21 as proposed. Taken together these are the
22 elements of a fair and progressive tax record.
23 One that satisfies our moral as well as our
24 constitutional obligations and combines a
25 lasting fiscal base for quality public educa-

1 tion with compassionate treatment of the poor
2 and overtaxed. Thank you.

3 I will take questions. If I can't
4 answer, some people will be taking notes and
5 will get you the answers as soon as I can.

6 MR. PERSKIE: Let me first turn to
7 members of the Committee and ask if anyone
8 has any questions?

9 MR. MAC INNES: Mr. Goldman, on the
10 bill submitted by the administration for the
11 income tax assembly bill 1875 it carries an
12 appropriation for six million dollars for
13 the -- well, from the time of enactment
14 through June 30th, 1975 and my question is,
15 if you have an estimate first of what portion
16 of that six million dollars -- one times
17 start cost and what the estimate of the
18 department is on the annual costs of ad-
19 ministering the income tax?

20 MR. GOLDMAN: We have approximately
21 3.4 million tax pairings. The figure six
22 millions is a bit less than \$2 per form. In
23 Rhode Island similar tax is collected at a
24 cost of about a dollar per tax pair. Our-
25 selves will probably being a little bit more

1 expensive since we have more tax pairs that
2 would have to fill out a longer form living
3 in New Jersey and working in Philadelphia
4 or New York. So I take it the estimate is
5 based on a little bit more than a dollar
6 return. I'm not familiar with the exact
7 details and I will get them to you.

8 MR. PERSKIE: Anybody else on the
9 Committee have any questions?

10 MR. FORAN: Mr. Goldman, as you
11 know I have questioned the reserve to the
12 school situation where you're putting a cap
13 of \$1,500 per student. I'd like to have your
14 comments as to property tax relief which
15 relates to your 30 percent in your statement
16 just made as to where added millions of
17 dollars will have to be raised on a local
18 level in order to maintain schools in rural
19 areas that now produce over \$2,100 a student?
20 Would you care to comment?

21 MR. GOLDMAN: Yes, I would, Assembly-
22 man Foran. I'm very happy to be able to do
23 that. There's been some confusion on this
24 point and I wanted to have this opportunity
25 to try and clarify that. The figures in this,

1 a copy of which you've all received, show a
2 proposed sharing plan in which the State
3 shares up to \$1,500 a pupil on a percentage
4 basis and the local municipality pays on its
5 own for the spending for people above \$1,500.
6 The figures already in this already include
7 the local tax rate based on the receiving
8 the State's share up to \$1,500 and raising
9 the local share.

10 To take one example which we've --
11 which I'll try to pick in Bergen County.

12 MR. PERSKIE: It would probably be
13 very helpful if you did.

14 MR. GOLDMAN: The sectional regional
15 schools under the existing law pays an
16 equalized school tax rate of \$3.49 and spends
17 \$2,136 per pupil. Under the proposed changes
18 in the law with pupilized tax rate for that
19 school district continuing to spend \$2,103
20 would be \$2.60. The State will share 35
21 percent of the total cost which 35 percent
22 is made up of a larger percentage up to
23 \$1,500 and nothing over \$1,500 but Central
24 Regional High School will get an increase
25 in State aid and lower the tax rate.

1 I also want to mention that the
2 Joint Education Committee Senator Wiley and
3 Assemblyman Perskie has added a feature for
4 financing of transportation. This feature
5 will, I believe, add additional State aid
6 to almost all municipalities, school districts
7 and particularly those such as the regional
8 high schools which have large transportation
9 bills. So I would then say that the State
10 aid to that school be increased.

11 MR. FORAN: Okay, I just wanted to
12 get it on the record.

13 MR. PERSKIE: At least we answered
14 the questions you posed yesterday.

15 MR. GOLDMAN: Not sufficiently but
16 there's time.

17 MR. FROUD: I would like to ask a
18 question concerning the guaranteed property
19 tax limitation as I understand it.

20 MR. PERSKIE: Excuse me, Mr. Gold-
21 man may not be aware in this Committee and
22 for purposes of our deliberations the
23 program which you have referred to as the
24 circuit breaker is known as the guaranteed
25 property tax limitation.

1 MR. FROUD: I computed this for a
2 \$15,000 a year person in my community and I
3 use to property values one at \$30,000 so a
4 man with a \$15,000 income the example that
5 you used in your package having four exemptions
6 the \$30,000 home was going to have a savings
7 of \$50. However, a \$50,000 income man living
8 in a \$40,000 home was going to have savings
9 somewhere about \$250. I can understand that
10 there will be a gap between the two examples.
11 I'm concerned that one, the gap is too great
12 but I'm equally concerned that we provide
13 some mechanism whereby the middle income
14 people benefit by that program. Do you have
15 figures for this program broken down? Can
16 we change, for example, on Assembly Byrne
17 resolution 175 lines 8 through 13 and you
18 can back-up these changes that we propose
19 with figures at this point?

20 MR. GOLDMAN: Yes. The estimate
21 of the cost of the circuit breaker can be
22 made at any set of rates you would like to
23 choose and we'd be happy to attempt to make
24 those estimates for you. If whatever you
25 want set up tables of rates we can tell you

1 what the added cost would be of, in this case
2 I suppose lowering the rates.

3 MR. PERSKIE: In that regard we would
4 request sometime prior to our meeting of
5 Friday morning as much as we're operating under
6 some kind of pressure under this particular
7 bill that you would give us some breakdown on
8 the cost and specific reference to lowering
9 the percentages between income levels of 5 and
10 \$15,000.

11 I guess that would cover it, wouldn't
12 it, Jack?

13 MR. FROUD: What I wanted to know,
14 do you have those figures now. I'm sure they
15 can be worked up.

16 MR. GOLDMAN: I don't have them
17 with me, I haven't worked them up.

18 MR. FROUD: They are worked up?

19 MR. PERSKIE: Can we get them Friday
20 morning?

21 MR. GOLDMAN: Sure. I also want to
22 mention I've given the Chairman here a copy
23 of this computer printout which we just had
24 printed and it gives you examples in every
25 community, states how people under different

1 income levels and different household estab-
2 lishments bear within the program. We have
3 an operation that began last night and is in
4 full swing today, a phone bank of tax councils
5 for the public to call to find out how they
6 do individually. That number for the people
7 here is 292-1700 and we're finding among the
8 hundreds of people that call up a good many,
9 a good percentage come out very well.

10 MR. PERSKIE: That's area 609?

11 MR. GOLDMAN: Yes.

12 MR. FROUD: I'm comforted, Steve,
13 if at our next meeting we can have the figures,
14 for example, that would lump the first three
15 lines into that category. If you're satis-
16 fied, then I'm satisfied.

17 MR. PERSKIE: What we're looking
18 for cost difference and specifically \$1,500.
19 Perhaps to a program of flat 5 percent until
20 you get to 15,000, maybe 6 percent to 5,000
21 to 15,000 some figures that would give us
22 room to work within there.

23 MR. GOLDMAN: I'll do my best to get
24 it for you Friday.

25 MR. PERSKIE: By Friday.

1 Anybody else on the Committee have
2 a question for Mr. Goldman?

3 Thank you very much, sir. We will
4 obviously maintain a close contact with your
5 office.

6 We have one short statement I want
7 entered into the record. A citizen came to
8 testify, left a prepared statement. It's in
9 the name of a Kate Tarnofsky, West Orange.
10 Appearance as apparent, homeowner and a
11 resident of Essex County. The opinion is
12 for what it's worth.

13 "It is my opinion that a graduated
14 net income tax would be the best source of
15 tax revenue to replace the local property
16 tax."

17 I will ask the stenographer to
18 include this with a record of the proceeding.

19 (Refer to page 16A.)

20 MR. PERSKIE: We have three gentle-
21 men here this afternoon who could be called
22 for various reasons our hosts and before
23 we continue with the list of witnesses who
24 have asked to appear -- by the way, anyone
25 who came in after my last announcement, if

1 you're here and wish to testify please see
2 our staff aid.

3 We have two members of the legislature
4 who represent this area. I would ask Assembly-
5 man Hawkins if he would like to make any
6 comments?

7
8
9 E L D R I D G E H A W K I N S :

10
11 MR. HAWKINS: Gentlemen, Assembly
12 and State Senate, I'm not going to talk in
13 specifics. I would briefly like to talk in
14 theory. I'd like to comment briefly on the
15 various proposals that have been put forth
16 before your Committee and possibly proposals
17 that have not yet been put forth and suggest
18 to you what I think might be the best solu-
19 tion for the problem that faces the State,
20 particularly this State legislature as a
21 result of the Botter decision which is man-
22 dated that we change the present system of
23 taxation for funding our school systems.

24 We have been presented with a pro-
25 posal very possibly for an increased sales

1 tax. I consider that regressive. I think
2 and, I think, everyone would agree, that the
3 sales tax as it presently exists is taxing
4 the poor at an unequal ratio, more so than
5 it would tax the rich.

6 I think equally so the statewide
7 property tax that has been suggested is
8 equally regressive of a larger portion of
9 the poor's income would be going towards
10 paying taxes if they had to pay a property
11 tax even though it were to be statewide than
12 if they were to pay some other kind of tax.

13 We have been presented by the Governor
14 with his income tax proposal, that tax
15 proposal thus far comes closest towards being
16 a progressive tax to the extent that those
17 who can afford to pay will be the ones
18 bearing the burden of the tax. I personally,
19 however, do not think that proposal goes
20 far alone.

21 Assemblyman Adubato, Assemblyman
22 Cali and myself have sponsored legislation
23 which has been introduced into the State
24 Assembly which has called for a complete
25 elimination of the sales tax if we indeed have

1 to have an income tax. I think what we not
2 only have to do is, aside from placing our
3 constitutional duties as mandated by the
4 Supreme Court to change the structure of
5 taxation as it now exists while on local
6 property taxes, but we also have to do what
7 might be considered acceptable to the citizens
8 of this State. For they're the ones that
9 are going to have to be paying for the educa-
10 tional costs, whatever they may be. There
11 is no doubt that we have to eliminate the
12 present system of local property tax so that
13 I think there will be no debate that that
14 will be acceptable to the citizens of this
15 State. They would be very happy to have a
16 reduction in their property taxes.

17 However, the very mention of addi-
18 tional tax brings somewhat of a distrust in
19 the mind of the constituents of their repre-
20 sentatives duly elected because they seem
21 to think, "well, you make an additional tax
22 and say you're going to alleviate other
23 taxes which need not necessarily come" and
24 I'm suggesting if we really wish to show the
25 people of the State of New Jersey that we are

1 serious about giving them what we're con-
2 situationally mandated that we have to give
3 them, but also giving them a tax break in
4 any kind of a way that we can give it to
5 them, that a very, very progressive sales
6 tax that hits as I stated previously, the
7 poor on an unequal ratio more so than it
8 does the rich or the middle class, that it
9 be done away with completely.

10 Now, in the particular statute that's
11 been proposed by the Governor you have
12 taxing at the rate from 1.5 percent of the
13 taxable income of not over \$1,000 to 8 percent
14 of over \$25,000. I would suggest the
15 consideration be made to raise the taxable
16 income percentage from 1.5 percent minimum
17 to 2 percent minimum and raise the ceiling
18 somewhere in the vicinity of 14 percent and
19 I think the 14 percent can be reached on
20 those incomes over \$60 or \$75,000 of those
21 people who can well afford to pay the
22 additional tax. I think if we give this
23 proposal consideration those of us who rep-
24 resent, I guess, the majority of the citizens
25 of the State will be given a true tax break,

1 and true when someone is given a tax break
2 someone else has to make up the deficit. I
3 think the combination of the proposal to do
4 away with the sales tax, reduce the real estate
5 tax as it presently exists and have a pro-
6 gressive income tax at an increased rate
7 that is proposed in the Governor's personal
8 tax proposal, I think we can come up with
9 sufficient income to do what we have been
10 constitutionally mandated to do and also I
11 think we can come up with a proposal that
12 the citizens of this State might very well
13 accept.

14 Gentlemen, I'm open to any questions.

15 MR. PERSKIE: Thank you, Mr. Hawkins.

16 I would advise you that the Committee is
17 very much in consideration and very much
18 appreciate your being here. I would also
19 appreciate at least one question from the
20 Committee on your testimony with regard to
21 the sales tax and ask you how you would
22 respond to a suggestion to reduce the sales
23 tax from its present rate of 5 percent to
24 the old rate of 3 percent?

25 MR. HAWKINS: I would be very happy

1 to see any improvement on the present situa-
2 tion. As I stated previously I consider the
3 sales tax in toto as very regressive. If it
4 were to be reduced it would be an improvement
5 of what it is now. I mean it would give a
6 break to the poor guy who can little afford
7 to pay the additional tax.

8 MR. PERSKIE: Any member of the
9 Committee have any questions?

10 MR. MERLINO: Further suggest on
11 even a reduction in the sales tax you would
12 be inclined to agree with a permanent capping
13 of the sales tax that's now being attempted
14 with the real estate tax? It would have to
15 be by a constitutional amendment not leave
16 it to the legislature.

17 MR. HAWKINS: I would suggest when
18 you go further either reduce or go away with
19 the sales tax as I stated, I think, that
20 people don't like the idea of being taxed
21 and if we're going to have to tax them I
22 think if we show them that we are going to
23 be giving them something in return or taking
24 away from them another burdensome tax in
25 exchanges for a tax that's not equitable,

1 I think they would be better able to accept
2 it. If the people don't accept it we're
3 all going to have problems. After all we're
4 the people that represent them.

5 MR. PERSKIE: Thank you, Mr. Hawkins.
6 Thank you very much.

7 I would like to welcome Senator
8 Martindell from Mercer County. Welcome.
9 I saw Assemblyman Cody.

10 And, now we have Mayor Hart, I be-
11 lieve is here. Before the Mayor beings his
12 testimony I would kike to indicate that we
13 will make every effort and I'm certain we
14 will succeed in allowing for time for everyone
15 who wishes to testify. I would encourage
16 anyone who has a written statement to advise
17 us so that we can -- so that the oral testimony
18 may be limited in a sense to a summation of
19 what the written statement proposes.

20
21 M A Y O R W I L L I A M S . H A R T :

22
23 MAYOR HART: Thank you very much,
24 Mr. Chairman. If the present plan by Governor
25 Byrne had been effected in the City of East

1 Orange in 1974 the tax rate in the City of
2 East Orange rather than by \$7.46 per 100 would
3 be \$4 plus, per 100. The same situation
4 exists throughout most of our central cities
5 and many of our so-called suburban areas of
6 the State of New Jersey. This problem, I
7 believe, as a Mayor or former teacher and
8 principal of the school system of Elizabeth
9 having worked for other school systems,
10 believe this is the best plan at this time.
11 I am somewhat amused on some hands and puzzled
12 on the other hand and why some of you learned
13 people are asking is it flawless? The answer
14 to that is no. There was no tax situation
15 in the entire United States in the State of
16 New Jersey, City of East Orange isn't flaw-
17 less. Our constitution isn't flawless.
18 That's why we have a Bill of Rights. I
19 think when you introduce a tax situation in
20 New Jersey it will always have to be updated.
21 I think a great deal of the tax that's
22 going down along these lines is just thetoric,
23 should be stopped and we could get down to
24 business. There are problems with any type
25 of tax reform package, we're certainly entitled

1 in the tax. It is by far, as I said earlier,
2 the best method. We're also interested in
3 the municipal overburden part of it. We are
4 quite sure that I and many other Mayors would
5 quite strenuously hope that you are learned
6 enough and have enough moral character each
7 and every one of you, to know that striking
8 out that part of the tax package amendments
9 would damage and be sticking the knife in
10 the back of the tax package.

11 That portion of it is very essential
12 to the City of East Orange, Newark, and
13 Paterson, and Passaic, and all the other
14 communities that are fighting very hard. And
15 certainly I would like to include those
16 towns that might be damaged a little bit by
17 this tax package in the first year or so.

18 I have had some of our very capable
19 staff and half of our program people dig up
20 some figures from around the State and I
21 would like to just a few of them given to
22 you at this time. I have a few here with
23 copies of them. They will pass them out.

24 For instance, in Camden County we
25 have had this program last year. Rather than

1 \$7.56 per 100 or assessed evaluation would
2 have been \$3.80.

3 In Newark rather than \$8.60 would
4 be \$4.59.

5 In Hoboken City rather than \$10.87
6 would be \$3.78.

7 In Jersey City rather than \$8.22
8 would be \$5.22.

9 In Paterson City rather than \$5.41
10 would be \$3.45.

11 In Trenton City rather than \$7.36
12 would be \$3.44.

13 In New Brunswick City rather than
14 \$3.74 would be \$2.60.

15 In Elizabeth City rather than \$5.99
16 would be \$4.19.

17 In Plainfield rather than \$6.67
18 would be \$4.66.

19 I believe that those kinds of
20 figures from the large cities where we have
21 the most school problems we're talking about
22 probably 75 or 80 percent of the population
23 in the State of New Jersey limiting those
24 kinds of situation, those kind of governs
25 in tax situations would develop in those

1 cities and begun about something about the
2 creeping death of the cities of the State.
3 Most of which our tax monies do not come
4 back to us as other states.

5 Our large cities dying are true.
6 Being strangled by people that people don't
7 understand that people want to live like
8 decent citizens and not permitted, being
9 strangled by people who do not want clear
10 and efficient. I can't possibly, possibly
11 believe that our legislatures are not people
12 who are intelligent to explain thorough and
13 efficient. If you ask me for an explanation
14 or give you any definition I would give you
15 the same one I've been looking up in the
16 dictionary. You look for a very different
17 definition. It's there. As a former English
18 teacher, thorough and efficient education
19 means for the parent they want their child
20 to have a chance, a youngster finished in
21 East Orange High School at night wants to
22 go to school. I understand there's a great
23 many people who only receive a piece of
24 paper and have to come back to summer school.
25 They haven't been given the opportunity as

1 in other communities. You're in a time at
2 the present time with 80,000 population. A
3 town without a swimming pool for its youngsters,
4 without a roller rink, one major movie marked
5 X, you know the circumstances, they're for
6 the weekend. We are in a town where our
7 youngsters behave themselves. Due to the
8 fact that our youngsters behave themselves
9 we have been punished. That's happening
10 all over America. That's happening in New
11 Jersey. You can be punished for being
12 successful. Every mayor in the State of
13 New Jersey knows how to get money from you.
14 Send some youngsters up and down the street
15 and break some windows, we can get some
16 money. What we'd like to see if someone
17 can do something about preserving our cities
18 before we reach those kinds of deadlocks.

19 We have businessmen in the towns
20 of East Orange who are trying to hang out.
21 They come in here and beg for a tax break.
22 Large businesses that don't have to stay in
23 East Orange and aren't going to unless
24 something is done by the legislature to
25 relieve our tax burden.

1 Our tax last year was \$10 per 100
2 for assessed evaluation. \$20,000 home you
3 pay \$2,000 tax. The people are asking me
4 the definition of thorough and efficient.
5 I would rather give you the definition of
6 sick.

7 I'd like to stop there and if you'd
8 like to ask me any questions of why I'm
9 supporting this plan, I think, you know the
10 business. I'd like to sum up for you. I
11 don't want to be repetitious. I don't want
12 to really go into all of the fears that you're
13 going to get from the papers that are going
14 to be handed out to you. No sense of me
15 going down the list of what will happen to
16 the City of East Orange if this package --
17 I'm willing for someone to hand me something
18 and read it to me. I will answer questions
19 for you before I give you a brief summary
20 about my personal intentions and feelings
21 of the tax bill. I think Chairman Merlino
22 has a question.

23 MR. MERLINO: Mayor Hart, you are
24 a member of the Conference of Mayors for the
25 State of New Jersey, are you not?

1 MAYOR HART: Yes, sir.

2 MR. MERLINO: Where are they in
3 this position, do you know?

4 MAYOR HART: No, I don't. All of
5 the bodies in the State of New Jersey as I
6 tried to emphasize earlier, that includes
7 my members, are hedging. That includes
8 everyone, Conference of Mayors, Assembly,
9 Senate.

10 MR. MERLINO: No, sir. I disagree
11 with you. That is, members of the Senate
12 and Assembly are not hedging. We're here
13 to try and get answers. You gave the best
14 answer for this package.

15 MAYOR HART: You're going to pass
16 it now?

17 MR. MERLINO: If my vote will pass
18 it, fine. At the last meeting of the
19 Conference of Mayors down in Princeton one
20 mayor, Mayor Hollinger from the City of
21 Trenton was the only one who expressed support
22 for this program, at least that's what the
23 press report. I'm sitting here in other
24 amazement. I know how you feel but I knew
25 how you felt before you testified here. I

1 found a little bit about you. I'm sure the
2 mayors of the other bigger cities feel the
3 same way. Why aren't they saying something
4 about it?

5 MAYOR HART: I think they probably
6 are saying something about it. Mayors are
7 like any other humans, sometimes they get
8 tired of people not listening. Over the
9 past four years you've heard the cry from
10 Mayor Patricia Shean and you've heard Mayor
11 Gibson. You've seen him on national television
12 saying the same thing. You've seen Mayor
13 Hollinger. I know you've seen the three
14 people on the Robinson vs. Kelly bill with
15 me. You've heard these people talk. If you
16 leave it up to the mayors I'm talking about
17 we'd have no problem. I'm quite sure I
18 represent most of them as I talk to you. I'm
19 quite sure of that.

20 MR. MERLINO: I agree. I, for one,
21 am asking you to get the mayors out and
22 to explain this package as you know it and
23 as you've explained it here today. This is
24 the kind of information the public should
25 know, to have to know what this package will do.

1 I have materials that I'm quite sure will
2 reach the press. It may make other mayors
3 who aren't as vocal as others. We see
4 citizens leaving homes in our community.
5 People who have labored for many years to
6 maintain the homes and not know where to go.
7 We have seen businessmen who trusted their
8 money and trust into business in our
9 communities and see them loose it.

10 A court order at the present time
11 to come forth with these monies does not
12 speak too well for our State. We have to
13 stand together for something like that.
14 There has to be a beginning. I hope we have
15 a very thorough and efficient beginning.

16 MR. PERSKIE: Mayor, before we open
17 to the members of the Committee I can't
18 resist the opportunity of you and the
19 organization of the Mayor's and the other
20 delegated officials on the local level in
21 New Jersey have it in their power to be as
22 influential, if not more so, with respect
23 to the passage or failure of these bills
24 before the legislature. I would urge upon
25 you personally as well as others, the other

1 members that you collectively communicate
2 with the other members in the strongest
3 possible term.

4 MR. FROUD: Mr. Chairman, I'd like
5 to ask Mayor Hart a question concerning the
6 capping on the budgetary increases of the
7 cities, towns, and school districts across
8 the State. One of our resolutions calls for
9 a 6 percent increase. I'm wondering how
10 you react to once we get this property tax
11 reduced capping the reduction, what can you
12 live with in terms of budgetary increase
13 percentages?

14 MAYOR HART: That's a very difficult
15 question for me to answer. First of all,
16 you, as a legislator, know when someone
17 asks you that kind of question, unless you
18 live in the State you wouldn't know the
19 answer for that. This year the same for
20 the City of East Orange or other communities,
21 there's no reservoir of rains going to be
22 predicted, you know, a Gene Dixon type thing.
23 What's going to be in the City of East
24 Orange for percentage wise next year that's
25 a ridiculous type question. To say what I

1 can live with them I have to live within the
2 needs of our community. That's what's wrong.
3 Everyone's talking about where you can live
4 then. We're talking about equalization. I
5 would like to live where anyone else lives.
6 I would like to live where you live. I'd
7 like my wife to shop on the same grades of
8 meats that your wife shops with. Those
9 kinds of questions are good but the answers
10 to them don't pack any weight as to what
11 we're doing in the State of New Jersey.

12 MR. FROUD: You're welcome to live
13 where I live. Your wife can shop where my
14 wife shops. There's no confrontation.

15 MAYOR HART: That you was plural,
16 it wasn't singular.

17 MR. FROUD: The resolution I'm
18 referring to, however, I don't think is one
19 that we're considering ridiculous at this
20 point. Our program is an attempt to reduce
21 the property taxes of the citizens across
22 the State and part of that reduction is to
23 require a capping on expenditures. We're
24 trying to guarantee that reduction and in
25 the resolution that is current before this

1 Committee a figure of 6 percent is found and
2 I'm trying to determine from you, sir,
3 whether you consider that reasonable and the
4 answer I have right now is any capping would
5 be considered ridiculous by you?

6 MAYOR HART: That's not what I said
7 I started off saying that I agree with the
8 proposal. I thought that you understood
9 that and were directing to my starting to
10 talk with you. I said I agree to the tax
11 packages, but there are laws. I started off
12 saying that when I began to talk to you. I
13 know any type of capping or any type of
14 actual percentage may have to vary from time
15 to time. That doesn't mean there's an
16 honest effort to start somewhere.

17 MR. FORAN: Mayor Hart, can you tell
18 the Committee the last time the City of
19 East Orange was reevaluated?

20 MAYOR HART: Yes, sir. You mean
21 the last the City of East Orange had a
22 reevaluation? Was this year. The last time
23 it was reevaluated before that was 16 years
24 ago.

25 MR. FORAN: You're saying it was

reevaluated in 1974?

MAYOR HART: 1971 or 2 is when it started. 1974 is when it hit the citizens.

MR. FORAN: Mayor, I'd like to congratulate you. You're the first Mayor of a large town who have been able to tell the Committee conducted by the Cahill Tax Committee in this State that they've actually done something on the --

MAYOR HART: Our last one was 1958 and our most recent was this year, 1974.

MR. PRESKIE: Anybody else on the Committee have any questions for the Mayor?

Mayor, we very much appreciate your coming.

MAYOR HART: I have a summary.

In summary, as Mayor of the City of East Orange, I feel it is vital that the legislature implement the administration's entire income tax plan in this special session. I will, and this may upset a few legislators, but that is how change is made, as a taxpayer and Mayor of East Orange not hesitate to bring suit against the State of New Jersey to block implementa-

1 tion of a statewide property tax to finance
2 public education.

3 Statewide property tax proposals,
4 while seemingly adequate for next year, will
5 quickly leave a shortage of revenue to provide
6 a thorough and efficient education. A fixed
7 property tax will provide a fixed income to
8 the State. This fixed amount of money must
9 be distributed among a virtually constant
10 school population. Therefore, as costs
11 increase, the amount of money available per
12 pupil must drop, thereby not meeting standards
13 for thorough and efficient. This flies in
14 the face of the Supreme Court mandate in the
15 Botter decision and cannot be tolerated.
16 To subject the people of New Jersey to another
17 upheaval, such as that to which they are now
18 exposed, would be unconscionable.

19 Further, as one of the Mayors of
20 the Robinson vs. Cahill suit, and the only
21 Mayor of that group still in office, I will
22 bring suit against the State to enjoin the
23 distribution of one penny by the State
24 Department of Education to local district
25 unless both the letter and spirit of the

1 Botter decision are fully implemented. Further,
2 I will seek to enjoin expenditure of one
3 penny by local school districts of any local
4 tax money unless the letter and spirit of
5 the Botter decision are fully implemented.

6 Gentlemen, I believe, and lady,
7 that it's time for all of us to stop wrapping
8 and start mapping, thank you.

9 MR. PERSKIE: Mayor, may I say, I
10 think I would observe anyway that the citizens
11 of this community are fortunate to have some-
12 body in your position who has shown the
13 interest and dedication and desire to fight
14 this problem to the extent that you have.
15 The things of the Committee, both Committees
16 and I would reiterate the comment I made
17 before, that both of us in the legislature that
18 are sure some of what you have to say you
19 will and to hopefully go right on and through
20 the other and have them have their thoughts
21 weighed in with their representatives in
22 Trenton.

23 MR. MERLINO: You can tell this
24 to the Essex County Legislature.

25 MAYOR HART: Everyone always wants

1 to deliver the entire Essex delegation but
2 we don't want to ever deliver anyone else.

3 MR. MERLINO: No, sir, if you have
4 influence beyond the Essex delegation by all
5 means, bring it.

6 MR. PERSKIE: YOu deliver Essex,
7 I'll deliver Atlantic.

8 MAYOR HART: That's good.

9 MR. PERSKIE: Jointly we may get
10 somewhere.

11 MR. CHINNICI: My remarks are not
12 regarding the Mayor. My remarks are concerning
13 several remakrs made by the two gentlemen
14 who are chairing this meeting and it's my
15 impression that you're giving a feeling to
16 the public here that every member of this
17 committee is in favor of this package and
18 this is absolutely untrue.

19 MR. PERSKIE: Mr. Chinnici, I
20 appreciate that. My remarks are made indi-
21 vidually and I do not speak, except where
22 I specifically so indicate, for the Committee
23 and I think the members of both the press
24 and the public should take that into considera-
25 tion.

1 We have a number of other people
2 who had asked to testify, some individually
3 and some representing organizations and as
4 I indicated earlier we will see to it that
5 everyone is given an opportunity. I will
6 call on them basically in the order I have
7 received them. I would ask everyone while
8 we certainly want to allow every leeway to
9 give some continuation we will be here until
10 five and then recess until seven and continue
11 until everyone is heard from.

12 Herbert Tuteur from the New Jersey
13 Society of CPAs, who has a prepared state-
14 ment and will summarize it, I hope, with
15 an oral statement.

16
17 H E R B E R T T U T E U R , CPA.

18
19 MR. TUTEUR: This statement is
20 presented by the Committee on State Taxation
21 of the New Jersey Society of Certified
22 Public Accountants. It is represented here
23 by myself Herbert Tuteur, Sobel, Weismann,
24 and Company, East Orange, New Jersey. Alan
25 Preis, CPA, Touche, Ross & Co., Newark,

1 New Jersey. Stephen Epstein, CPA. Peat,
2 Marwick, Mitchell & Co., Newark, New Jersey.
3 We represent the New Jersey Society of
4 Certified Public Accountants. There are
5 approximately 7,500 Certified Public Accountants
6 in the State of New Jersey, approximately
7 4,100 are members of the New Jersey Society
8 of Certified Public Accountants.

9 This Committee, the Committee on
10 State Taxation, has actively participated in
11 the past in the deliberations of the Tax
12 Policy Commission during the previous
13 administration and has had continuous rapport
14 and liaison with the Division of Taxation.

15 This Committee, together with
16 Committee of the Bar Association, has been
17 requested by the Governor's office to review
18 the tax program as it is being developed.

19 On the instructions of the Board of
20 Trustees of the New Jersey Society of Certified
21 Public Accountants, no policy decision is
22 being taken by this committee either for or
23 against the imposition of an income tax. Our
24 purpose in these deliberations is strictly
25 of technical nature to be sure that the tax

1 bills, if they should be enacted, are
2 technically correct; present the minimum of
3 administrative and collection problem and
4 are easy for the taxpayers to understand
5 so that the taxpayers are not burdened by
6 an additional complicated tax structure and
7 filing requirements.

8 With this in mind, the Committee
9 endorses the piggy-bank concept either in
10 its pure form as tied into the Mills Bill,
11 or the alternative, tied into federal taxable
12 net income, so that at any time a full
13 transition to the provision of the Mills
14 Bill can be accomplished.

15 The Committee recommends a minimum
16 tax based upon the federal computation,
17 first to be able to qualify under the Mills
18 Bill, secondly, to facilitate the audit
19 and enforcement procedure.

20 MR. PRESKIE: Does any member of
21 the Committee have a question for Mr. Tuteur?

22 MR. MAC INNES: Could you outline
23 very briefly the additional administrative
24 and tax pair directories which would be
25 faced if the State were to use the adjusted

1 gross figure off the federal income tax
2 return instead of using the taxable income
3 figure off that return. Are the differences
4 great enough so that that should be a con-
5 cern of this Committee in reviewing the
6 administration of the income tax?

7 MR. TUTEUR: I would say so. First
8 of all, if you adjust the adjusted gross
9 income you cannot tie this into the Mills
10 Bill in the first place. We find completely
11 new computation in regard to reductions
12 taken again adjusted gross income under
13 this proposal you would simply start with
14 the federal taxable income figure and most
15 taxpayers would not have to make any adjust-
16 ments to that figure.

17 MR. PERSKIE: Any other member of
18 the Committee have any questions? Mr. Tuteur,
19 thank you very much for coming.

20 We have another representative from
21 the Society that will be Mr. Alan Preis.

22 MR. PREIS: I would like to reiterate
23 Mr. Tuteur's statement that as Certified
24 Public Accountants we are not in any way
25 taking a position for or against the income

1 tax but merely standing ready to offer certain
2 technical suggestions, assuming an income
3 tax is to be implemented as to how it can
4 be most efficient and most workable and to
5 impose the least inequity and the least
6 administrative burden on the taxpayer.

7 Furthermore, we in the State Society
8 are working in the sense that the copy of
9 the bill in its proposed form has only been
10 in our possession for a few hours and our
11 examination has been the most superficial
12 examination. What I would really like to
13 do is confine myself to a few remarks that
14 are particularly apparent as to ways in which
15 the bill as presently drafted might possibly
16 be modified.

17 MR. PERSKIE: First of all, if you
18 would be kind enough, if you can in your
19 testimony, if it's possible to refer to
20 specific sections in the statute.

21 MR. PREIS: First of all I would
22 like to expand slightly on Mr. Tuteur's
23 remarks in the sense that a straight piggy-
24 bank income tax bill, although not presently
25 being contemplated, has at a certain sacrifice

1 in provisions in this bill a great deal to
2 offer from the standpoint of simplicity
3 administration. It goes possibly for a tax
4 pair who is subject to New Jersey income
5 tax to file one return. His federal income
6 tax return rather than two returns, a federal
7 return and a New Jersey income tax return is
8 a straight piggy-bank bill is introduced.
9 Admittedly the piggy-bank bill does not
10 permit many of the modifications that were
11 embodied in Title 54A. There would have to
12 be a change off of simplicity administration
13 and compliance for certain matters in hand
14 and certain of the remedies or the proposals
15 under Title 54A was that Assembly Bill 1874
16 might have to be affected in some other
17 manner. Possibly the most apparently burden-
18 some portion of Assembly Bill 1874 is the
19 memorandum tax which is Section 54A13-1.
20 Although this particular provision might
21 impact a minority of the taxpayers of the
22 State of New Jersey it seems perfectly
23 apparent to us that the cost through the
24 taxpayers in complying and into the State
25 of New Jersey and endorsing and collecting

1 would absolutely exceed the revenue generally
2 from this provision and therefore I'd like
3 to reiterate Mr. Tuteur's suggestion that
4 to the extent that a minimum tax is proposed
5 that it be one which follow the federal
6 memorandum tax preferences.

7 Secondly, to the best of my knowl-
8 edge the present bill Section 54A 2-1 requires
9 that if married taxpayers file a joint
10 federal income tax return that they would be
11 required to file a joint New Jersey tax
12 return. Furthermore, the New Jersey tax
13 rates as they have been established does
14 not permit income splitting as the federal
15 law provides. We can envision in many
16 instances that will give rise to a pro-
17 liferation of federal tax returns as a means
18 for affecting New Jersey tax savings to
19 the specific, a husband and wife, who may
20 have no advantage to file two separate
21 federal income tax returns may have a
22 sufficient advantage in New Jersey income
23 tax to warrant filing separate returns.
24 In order to file separate returns --

25 MR. PERSKIE: If I may interrupt

1 your testimony on that point. If we assume
2 that the structure of Assembly 1874 imposes
3 a given rate whatever that rate is as proposed
4 here on federal taxable income, how will
5 there be any substitutive distinction between
6 the New Jersey tax structure and the federal
7 tax structure that would give rise to that
8 situation? What I'm trying to suggest, if
9 there is no detriment to a husband a wife
10 filing separate returns if their incomes
11 are approximately equal, they will be able
12 to achieve a New Jersey tax advantage at no
13 federal tax costs for the filing of two
14 separate returns.

15 MR. PREIS: When you're talking
16 about two incomes.

17 MR. PERSKIE: Why wouldn't they
18 thus by definition, have no advantages in
19 New Jersey to file separate returns?

20 MR. PREIS: Let me try illustrate.
21 If you have a husband and wife each making
22 \$10,000 and it would be approximately the
23 same, the tax, the federal tax would be
24 approximately the same whether they file one
25 federal tax return or two. However, the

1 New Jersey tax would be significantly different
2 on \$20,000 than it would on \$10,000 tax twice
3 with graduated rates.

4 MR. PERSKIE: Because we don't have
5 a separate schedule?

6 MR. PREIS: Exactly. Next point
7 would be in chapter 7, the repeal of the
8 emergency transportation tax and this
9 approaches being a policy statement but it
10 is apparent that the State of New Jersey
11 rates will, if an income tax law is effected,
12 would be sufficiently lower or at least
13 somewhat lower than the corresponding New
14 York rates to the extent that the emergency
15 transportation tax is repealed. There will
16 be a net loss of revenue to the State of
17 New Jersey with no corresponding benefit
18 and it might be more appropriate for there
19 to be an alternative tax being the greater
20 of the New Jersey tax ordinarily computed
21 or the New Jersey transportation tax for
22 those individuals who are presently subjected
23 to that tax.

24 Lastly, and this is not accomplished
25 with the bill, it's my understanding to the

1 extent that the New Jersey present income
2 tax was enacted the incorporated business
3 tax would likely be repealed. Has any
4 proposal been made to that effect?

5 MR. PRESKIE: It has and being
6 referred to this Committee where it's present-
7 ly under consideration.

8 MR. PREIS: A personal income tax
9 without the corresponding repeal of the
10 incorporated business tax would work substantial
11 inequities on businessmen.

12 MR. PRESKIE: On that point would
13 you please address yourself to the gross
14 receipts, whether or not you feel the same
15 argument applies?

16 MR. PREIS: Actually, I have not
17 concluded the portions which have become
18 apparent to me of the proposed bill.

19 Speaking on behalf of our Committee
20 it is our intention to undertake a detailed
21 analysis of the coming bill in the course of
22 the coming days or week, so we might possibly
23 be able to provide further observations of
24 substantial improvements or modification in
25 the bill.

1 MR. PERSKIE: Assemblyman Foran
2 has introduced bill 643 which proposed repeal
3 of the gross receipts tax. I introduced
4 a bill to raise the corporate income tax to
5 by sufficient amount to pay for both of those
6 taxes. I would request your Committee take
7 those three bills under consideration and
8 give us something on that.

9 Does anyone from the Committee have
10 a question of Mr. Preis?

11 SENATOR MARTINDELL: How many people
12 are affected by the tax, do you know?

13 MR. PREIS: I'm sorry to say I do
14 not have any firm statistics, but within
15 our practice we are responsible for prepara-
16 tion of a substantial number of federal
17 income tax returns. Very few as a percentage,
18 very few, less than one or two percent of
19 our clients who are not necessarily repre-
20 sentative of the taxpaying public as a whole
21 are subject to minimum tax. The tax as
22 presently enacted, bear in mind there are
23 proposals in the Congress right now to
24 strengthen or put additional teeth in the
25 minimum tax, it is conceivable by the end

1 of this year the minimum tax may be significant=
2 ly more. This and an adoption of that tax
3 would be better than today's memorandum tax
4 would.

5 MR. PERSKIE: Did you mean when you
6 say how many would be subject to it, do you
7 mean the proposed minimum tax in this bill
8 or the one presently obtained?

9 SENATOR MARTINDELL: This one.

10 MR. PREIS: Okay, it's really im-
11 possible for us to determine. One has to
12 perform independent computation of whether
13 or not the tax would be higher under the
14 proposed New Jersey income tax bill or under
15 the proposed minimum tax bill and we would
16 have no way of doing that.

17 MR. PERSKIE: I think what Senator
18 Martindell is interested in if you have
19 anything on how many tax pairs in New Jersey
20 would by reason of the fact that their gross
21 taxes exceed over \$50,000 would be eligible
22 or included under that program?

23 MR. PREIS: I'm sorry.

24 SENATOR MARTINDELL: I was told
25 it was about 10.

1 MR. PERSKIE: Citizens earning
2 \$50,000 or more, I think it would be more
3 than that.

4 MR. FROUD: The comments made con-
5 cerning the gross income figure and the
6 taxable income figure and the advantages
7 accrued through the piggy-bank, is that appropriate
8 in conjunction with the useage of piggy-bank
9 presently?

10 In other words, we're really not
11 useing a piggy-bank procedure in the pure
12 form?

13 MR. PREIS: No, you're not. Al-
14 though, in many cases people construe piggy-
15 bank to mean Federal Tax Income as a starting
16 point.

17 MR. FROUD: Maybe to phrase my
18 question less awkwardly, the useage of piggy-
19 bank as we're presently composing it, gives
20 us no advantage or disadvantage when we're
21 considering gross versus taxable income?

22 MR. PREIS: That's correct.

23 MR. FROUD: Your comments apply
24 only to piggy-bank in the pure form?

25 MR. PREIS: My comment was that

1 it's theoretically possible for the enforce-
2 ment and the compliance burden of a New
3 Jersey income tax to be substantially
4 alleviated through the filing of only one
5 return if pure piggy-bank was adopted by
6 the State of New Jersey, the New Jersey
7 Legislature.

8 MR. FROUD: One short question.
9 Even if New Jersey went along that route
10 wouldn't we have to wait for a number of
11 other states to go the same route?

12 MR. PREIS: Theoretically, yes, but
13 a certain number of states are sufficiently
14 close to piggy-bank right now with an absolute
15 minimum of change in their personal income
16 tax laws there would be the requisite number
17 of states in terms of percentage with the
18 minimum possible changes to achieve piggy-
19 bank.

20 MR. FROUD: Mr. Chairman, through
21 you again, are you suggesting if New Jersey
22 adopted that kind of program we would trigger
23 that kind of action in other states?

24 MR. PREIS: I could conjecture it
25 very well would have been. The State of

1 Rhode Island is awfully close, with a minimum
2 amount of change in Rhode Island's tax law
3 it would comply with piggy-bank.

4 MR. PERSKIE: Other comments from
5 any member of the Committee?

6 Mr. Preis, thank you very much.

7 I'm advised there's one gentleman
8 with something of a pressing time problem.
9

10 MR. F. E. MCCUDDEN :

11
12 MR. MCCUDDEN: I want to thank you
13 for this opportunity and also for the comment
14 that our knowledge and my knowledge speci-
15 fically at this point in certain press
16 releases this is addressed to and I did turn
17 over copies to Mr. Van Luden.

18 My report is in two phases. One
19 is in questions and the second are some
20 suggested controls.

21 I. QUESTIONS: A "When will all factors
22 of the monies to be required be made public,
23 that is, the monies required by schools,
24 courts, welfare?"

25 The reason for this is the present

1 sources for this money is either Municipal
2 or County taxes (raised by municipalities).
3 In order for a municipality to measure the
4 impact on present property tax effect, these
5 items must be known. Similar to published
6 table equalizing educational costs. That
7 was published locally by measure.

8 B. "Will all budget figures being
9 discussed include factors such as Funded
10 debt; Statutory costs; Capital improvements;
11 and, Reserves for uncollected debt?

12 The reason; press releases indicate
13 an increase of 6 percent ceiling on municipal
14 budgets. If this is simply municipal opera-
15 tions of Salaries and Wages and Other Expenses,
16 this presents one type of problem.

17 If this percentage limitation is
18 on the total municipal budget including the
19 items mentioned above, it presents a problem
20 much more serious than above.

21 One could not offer constructive
22 suggestion to any committee unless the terms
23 are precisely known.

24 C. Will interested parties be given
25 an opportunity to testify before the legislature

1 subsequent to the printing of the proposed
2 bill?

3 The reason: Many of the problems
4 resulting from the enactment of any law
5 could be minimized by considering the objec-
6 tions of people currently handling the problems
7 of Property Taxes, among them the Elected
8 and Appointed Officials of the sum 560
9 municipalities.

10 II. Some suggested controls
11 again (without knowledge of the exact pro-
12 posed law; just publicity releases and press
13 coverage).

14 A. SCHOOL BUDGETS BE CONTROLLED
15 SO THAT THE 50 PERCENT CONTRIBUTION OF THE
16 STATE DOES NOT SUPPORT PYRAMID EFFECT OF
17 "SPEND MORE-GET MORE SUPPORT MONIES".

18 B. Stipulate a minimum dollars
19 for all school boards in the two areas of
20 money accumulation that appears on the
21 budget.

22 One is the reserves. Leaves the
23 purchase orders open on June 30th of any
24 fiscal year.)

25 Two. Surplus monies.

1 These two areas can tend to accumulate
2 dollars sent to the Boards on a 100 percent
3 basis by the municipalities (collecting on
4 a 90-95 percent basis.)

5 B. (Subject any increase of the
6 State income tax percentage of Income Tax
7 Rate to approval on the November ballot.
8 This is to insure the public reaction to
9 all future increases in the Income Tax Rate.
10 This method is presently utilized in the
11 Ohio City Income Tax Law.

12 C. Make the combination of Property
13 Tax plus Income Tax Costs to the taxpayers
14 progressive and not regressive. The present
15 general overview shows this, but the law
16 must be written so that it is times for
17 "Time Infinite" and not open to the whims
18 of any future Legislative Body.

19 D. Fuller disclosure (similar to
20 present municipal and county budget publica-
21 tions) by the State on the disposition of
22 these monies collected by Income Taxes.

23 Public once a year all monies
24 collected and their disbursements by line
25 items.

1 In closing may I add that the general
2 concept of the present proposal seem workable
3 and aimed at being fair, however, we must
4 have assurances that the ultimate outcome
5 will be fulfilling the order of the Courts;
6 be fair and equitable to all and easily
7 audited for compliance.

8 I did not, at times in my final
9 comment, I do have one on revenue sharing
10 money and in a just quickly -- the revenue
11 sharing ballot in the fiscal pay period of
12 July 1, 1973 through June 30, 1974 remain,
13 that is, if the red value amount is reduced
14 by the tax base being reduced then the
15 State be obligated to distribute the distribu-
16 tion to the munivipalities. This would be,
17 the State's share would be increased because
18 their tax base would be increased on the
19 federal computation. Thank you very much.

20 MR. PERSKIE: Mr. McCudden, I appre-
21 ciate your coming before us. There are a
22 couple questions you have raised. The
23 information can be given to you now and it
24 might be helpful to the public dialogue
25 if it were done.

1 With regard to the general cost of
2 what we call municipal overburden packet,
3 the State assumption of Courts and welfare
4 and other non-school costs State payment of
5 taxes, et cetera, the estimate used on the
6 statewide level for all of those programs
7 is 200 billions of dollars.

8 MR. MCCUDDEN: The municipality by
9 municipality breakdown of that is being pre-
10 pared. We have received our first copy
11 today. It's available, I think, commencing
12 tomorrow from the Governor's office.

13 MR. PRESKIE: With regard to your
14 question B, would all budget figures being
15 discussed include factors such as funded
16 debt; statutory costs; capital improvements
17 and reserves for uncollected debt? I'm
18 assumint that in that instance you're referring
19 to a State aid formula, is that correct?

20 MR. MCCUDDEN: Yes. In that case,
21 let me read you the relevant portion of
22 the bill as presently proposed. The effective
23 rate for municipal purposes or for county
24 purposes, I'm taking the language out of
25 that, exclusive of debt service reserve front

1 collecting taxes and cash deficits shall not
2 increase more than 6 percent any one year.

3 MR. MCCUDDEN: Can I make a point
4 at this point? You didn't say capital improve-
5 ments.

6 MR. PERSKIE: No.

7 MR. MCCUDDEN: You see, this is
8 one of the concerns.

9 MR. PERSKIE: Debt service? Debt
10 service, all right, but not capital improve-
11 ment as such. There is a difference between
12 capital improvement section and debt service.

13 MR. MCCUDDEN: Yes, there is. I'm
14 afraid that some municipalities might be
15 in the same position that we're. We're
16 third or fifth size Morris County, maybe
17 presently less than the municipality of
18 45 square miles is built up. It looks to
19 me as if capital improvement is required
20 before we are giving in way of service to
21 the people and that a 6 percent capping
22 including municipal service such as capital
23 would be regressive to communities that are
24 growing at the present time.

25 MR. PERSKIE: Anticipating Mr.

1 McGuinness' question, can you give us your
2 response to a proposed 6 percent cap if it
3 were exclusive of capital improvements?

4 MR. MCCUDDEN: You know, reading
5 especially the last main figure on inflation
6 that the New York Times, to be quoted correct-
7 ly, if the main rate, the yearly inflation
8 will be 15 percent. I'm afraid it would be
9 a little difficult to sit here and honestly
10 say that next years budget could give us a
11 6 percent increase on the OE and SW. Let
12 me just give you one example how this would
13 be really frustrating for a municipality.

14 If you give us a 6 percent cap,
15 where does that put us on the local labor
16 union that we presently have in our structure?

17 MR. PERSKIE: I assume, therefore,
18 your reaction to a suggestion to lower the
19 6 percent to a figure somewhat lower than
20 that would be that much stronger?

21 MR. MCCUDDEN: I am afraid of a
22 percentage at all on this kind of capping.

23 MR. PERSKIE: You have a suggestion
24 for a proposal either statutorily or either
25 by constitutional amendment that would

1 guarantee the inhibition of a local property
2 tax increase?

3 MR. MCCUDDEN: I'm afraid I'd need
4 a little bit more time to come up with any
5 proposals. There's one that I have, would
6 be, you'd have to look at the track record
7 of any of the municipalities. I know this
8 is tough but each one of us have a specific
9 problem which might be unique in many, but
10 I think, where you would find participation
11 of a community in an attempt to fulfill its
12 obligations. Take the last 30-year period,
13 this is off the top of my head, what that
14 average might be that would be a fair capping
15 because by percentage we're introducing
16 such items as inflationary and honestly it
17 would be impossible to come to a good labor
18 negotiation agreement with a cap.

19 MR. PERSKIE: Just one more point
20 I want to make before we open up to the
21 Committee. You have one other question or
22 actually a suggestion, stiff control. I
23 merely want to point out what the rule says.
24 We're concerned by the school budget being
25 controlled that the 50 percent contribution

1 doesn't lead to a spiral. I would point out
2 the bill as introduced provides for a State
3 shared funding only up to \$1,500 per student.
4 Thereafter all expenditure authorized would
5 be subjected to local financing. That
6 control is a building feature.

7 MR. MCCUDDEN: Could I ask for a
8 definition in the act of the \$1,500? You
9 know, today, even to the public it's cloudy.
10 It does not include as I understand it one
11 debt and the other expenses.

12 MR. MC GUINNESS: Frank, the \$1,500
13 limit that you referred to is a part of a
14 program that's been proposed by Senator Russo
15 and is not a part of the Governor's program.
16 But this leads to a great deal of confusion
17 in the minds of people. The Governor's
18 program in terms of the school aid distribu-
19 tion ties distribution for next year to
20 the amount presently being spent by the
21 municipalities and, also ties it to its
22 property tax wealth behind each pupil and
23 its tax rate. Those are the three considera-
24 tions that go into the amount that any town
25 would receive.

1 In Rockaway Township's case, which
2 is now spending \$1,434 for each pupil with
3 property tax of \$48,000 behind each pupil
4 the State aid would increase from \$937,000
5 to 3.1 million or to put it a different
6 way, the percentage of State participation
7 would move from 17 percent to 55 percent.
8 The effective equalized tax rate for school
9 pupils only would go from \$2.69 per 100 to
10 a \$1.46 per 100 and this is tied and the
11 assumption of this is that the local school
12 board of the people of that community have
13 made a determination this year before any
14 tax proposals came along as to what kind of
15 education program they could offer and wanted
16 to offer and it does not jump school program
17 som artificial minimum or it doesn't impose
18 some artificial maximum to what the school
19 spends on. We have to separate the several
20 proposals and these are the facts that
21 Rockaway Township's and the government costs.

22 MR. MCCUDDEN: Mr. Chairman and
23 through the Chair, if I could I heard the
24 table that was published in the Ledger and
25 I hope these reflect the same figures and I

1 did a reduction of the tax rate. We're not
2 subject to just the local board. We're
3 subject to the Regional Board of Education.

4 MR. PERSKIE: That's certainly true
5 but would also be subject to an additional
6 increase in appropriation to your regional
7 which Gordon probably has.

8 MR. MCCUDDEN: I took those figures
9 and I apprised to what would happen to
10 Rockaway Township. The point of my testimony
11 here is not how much but the basis of
12 calculation of that cost per student if it
13 does include all costs such as capital and
14 debt, fine. But, then, I could take the
15 other side of the coin and when I had a
16 debt disappearing quickly and all of a sudden
17 that other figure remains as a base we're
18 in trouble.

19 MR. PERSKIE: The next witness
20 is Dr. Morris Beck, Professor of Economics
21 from Rutgers.

22 I might note that Dr. Beck testified
23 two years ago before the last session of
24 these committees and was very helpful at
25 that time.

1 M O R R I S B E C K, Professor of Economics and Public
2 Finance, Rutgers University, Newark, New Jersey.
3

4 MR. BECK: Mr. Chairman, members
5 of the Committee, as Chairman Perskie mentions
6 I have spoken to you before on the subject
7 of tax reform, system reform and assorted
8 fiscal matters. In fact, in preparation for
9 this afternoon I dug into my file of notes
10 and I came out with a February, 1952 speech
11 on the subject and that's what I'm going to
12 give you today. I did pass around a sheet
13 of notes in which I listed three or four
14 points that I thought pertinent to the 1974
15 discussion, but really the situation in this
16 year is not what it has been for several
17 decades. New Jersey tried in the mid 1930s
18 to modernize its tax system and failed.
19 Finally, in 1966 with the passage of the
20 sales tax it went on its first broad base
21 tax and for the past 8 years there has been
22 discussion of having a progressive element,
23 what is essentially a highly regressive
24 tax system. I'd say the most regressive
25 in the country, of the 50 States, New Jersey

1 has the most regressive tax system.

2 Fortunately, information regarding
3 the nature of that tax system is available
4 to everyone, members of the Legislature,
5 any voter who can read, anyone who can do
6 some arithmetic.

7 I refer you -- you have a copy of
8 my notes, to the item marked 2B. With
9 reference to pay less by the tax policy
10 committee report of 1972 which is still
11 pertinent. The numbers may be slightly
12 different today but the general results are
13 the same, namely, that individuals earning
14 \$3,000 paid nearly a 5th of their income
15 19.1 percent of their income in taxes to
16 State and local government. The other end
17 of the scale, individuals earning \$25,000
18 and over, paid a mere 5 percent, 5.4 percent
19 of their income in taxes.to State and local
20 government.

21 If you studied the other 49 States
22 you'll find that the same regressive pattern
23 prevails.

24 Regressive means the effective rate
25 decreases as the base, in this case, income,

1 increases.

2 Now, to tie in with the proposal
3 that you are obligated to consider, the income
4 tax plus the other modifications, will not
5 eliminate this regressivity. They'll reduce
6 it substantially, significantly, but you
7 cannot eliminate regressivity in the State,
8 local tax structure as long as the tax
9 structure is dominated as it has to be by
10 sales and property taxes. But I venture to
11 say that if this legislature assumes its
12 responsibility and adopts a plan, either of
13 the type submitted by the Governor or one
14 similar to it, that this State will move
15 from the bottom of the list or near the
16 bottom to the more progressive states in
17 this country to near the top of the list and
18 will have one of the more equitable tax
19 systems in this country. For further details
20 on that I suggest that you read or reread
21 the summary following of the Tax Policy
22 Committee report of 1972 on insurance rate
23 behind your desk and those there are still
24 pertinent today.

25 Another point I'd like to make is

1 that the true picture of property tax is
2 never revealed by averages. We know that the
3 average tax rate in this State are extremely
4 high, higher than almost any state in the
5 country. But I brought with me today and
6 this bears out some of the things that Mayor
7 Hart had to say, I brought with me the 1974
8 Abstract Ratables of Essex County and
9 a little green book which is also part of
10 your reference library that will take a year
11 or two, however, before you get it in public
12 form.

13 Now, of the 22 municipalities in
14 Essex County, East Orange in 1974, using
15 preliminary data, will have the highest
16 effective property tax rate. An effective
17 rate of 8 percent just to make this more
18 concrete, let me pick one of the low tax
19 communities, Milburn which in the year 1974
20 will have a property tax rate effective
21 meaning as a percent of full value, true
22 value, market value of 3.37 percent.

23 Translated into dollars I've prepared an
24 example for you on the right of this section
25 of my notes what would be the tax on the

1 \$20,000 home in East Orange and in Milburn.
2 East Orange calculation you can do it in
3 your head, the owner of a \$20,000 home would
4 be paying \$1,600 to local government for the
5 support of local services, including educa-
6 tion. In Milburn a few miles away that
7 same home or the owner of a \$20,000 home
8 would pay \$674 tax. This is the meaning of
9 the Botter decision. This is why Judge
10 Botter early in 1972 said, there's a violation
11 of the New Jersey Constitution to require
12 unequal payments for a State function and
13 Education is a State function despite the
14 fact for a 100 years we have violated the
15 constitution and imposed the financing of
16 education on local government.

17 Well, I'm not in the position here
18 because I don't have the data available to
19 you, gentlemen, for evaluating the details
20 of the proposed plan, either the Governor's
21 plan or any of the alternatives, and I'm
22 sorry to see there are so many alternatives.
23 Not because we don't like to have diversity
24 but because there is a great deal of confusion
25 resulting from this sort of thing.

1 The point is, my remaining point,
2 the point is that once this plan is understood,
3 speaking now of the Governo'r plan, I think
4 it would become quite clear to most people
5 that the end result of losing an income
6 tax and substituting that 550 mill. or 750
7 mill. for local property taxes would be a
8 substantial redistribution of burden instead
9 of imposing a 20 percent burden on the lower
10 income tax. I guess the debt would fall to
11 14 to 15 percent and those earning \$25,000
12 and over will move up from 5 percent to
13 perhaps 10 percent. In any case, the gap
14 between the rich and the poor, between the
15 burdens as I've previously enunciated them
16 or explained them, will be substantially
17 reduced.

18 Final point I'd like to make is
19 that while the income tax has been talked
20 about in this State and I saw my first
21 reference to it in an article in 1952, the
22 point is that New Jersey is now one of the
23 states without an income tax. It's the
24 only industrial state. The others are some-
25 what rural or non-industrial, at any rate,

1 that the income tax has been adopted in the
2 last decade or dozen years by 9 or 10 other
3 states and they've done this partly to keep
4 the property tax from rising unconscionably
5 and partly because they wanted to add a
6 progressive element into a regressive tax
7 structure and I think this is the year for
8 New Jersey. I believe that the income tax
9 is an idea whose time has come. Courts say
10 that this is the year and the Legislature
11 is hedging despite the statement I heard
12 earlier. I think that people will also speak
13 out for it once they get a chance to ask
14 these questions and make themselves heard
15 and once this type of information, the
16 redistribution of taxes becomes available.

17 MR. PERSKIE: Professor, I appreciate
18 your testimony. I would like to impose on
19 you, if I may.

20 One, we are building here a record
21 for the education not only for the record
22 of the public, all members of the legislature
23 will be supplied with transcripts. I would
24 appreciate if you would state a little about
25 your background.

1 MR. MORRIS: All right. I'm a
2 professor in economics in Rutgers in Newark
3 with special relations in public finance,
4 taxation and government expenditures. For
5 22 years I've been teaching the subject and
6 doing research and I've written a dozen
7 papers, most of them to New Jersey, as an
8 example for the Whitney Board, from the
9 point of view of its inequitable, regressive
10 inelastic, outmoded tax structures.

11 MR. PERSKIE: It's upon that last
12 point that I'd like to have you enlighten
13 us a little bit further. The Committee has
14 in its first two meeting very frankly been
15 anticipating your testimony on this point.
16 I would like to have you give us your
17 conclusions with reference to the elasticity
18 both of the present tax structure of New
19 Jersey with respect to the proposal as
20 embodied in the Governor's suggestion and
21 also, if you can, with respect to the
22 proposals made in the enactment of a State-
23 wide property tax by classified rates either
24 at a \$1.50 per residential or \$2.50 for
25 commercial, or a \$1.75. What I would like

1 you address yourself to in general terms
2 is the elasticity of these three areas.
3 Specifically, with regard to the ability
4 of any of those three structures to handle
5 what we may anticipate in the next five or
6 ten years will be the continuing demands on
7 the State budget.

8 MR. BECK: Let me dispose first of
9 all with the last point, namely, the alternative
10 plans. I read about them in the morning
11 paper. I think they have some merit and
12 would constitute an improvement on the present
13 system. I think they would be inferior to
14 the Governor's proposal or to the proposal
15 which includes an income tax. I won't say
16 anything further on it. I believe in what
17 I said earlier that the situation is futile
18 enough without introducing all kinds --
19 regarding elasticity, there are figures on
20 each of these taxes. In a five-minute
21 lecture, the same one I use in my class
22 every September, I can give you the essence
23 of elasticity for the three major tax bases.
24 There are only three, income, sales, and
25 property. All other taxes are a variant of

1 these three. For example, the tax on
2 cigarettes is a type of sales tax.

3 Let me begin with the income tax.
4 This is the most elastic of the three. Why?
5 Because being a graduated or progressive
6 tax the yield increases more than proportionate-
7 ly as the basis increases. Using a round
8 number, if income increased by 10 percent,
9 give a year, take personal income, the proceeds
10 by the income tax would grow by 11, 12, or
11 13, and you can reduce that to a single
12 measure 1.2, 1.3 assorted.

13 The sales tax is also believed to
14 be elastic as you say this yield grows a
15 little faster than the said income, although
16 that depends on the definition of the base
17 on what the sales tax base includes, but it
18 certainly is less elastic than the income
19 tax.

20 Third, the property tax is the
21 least elastic of the three. That is to say
22 in order for the yield of the property tax
23 to increase it would be necessary for the
24 value of the property to grow faster than
25 income and that is not happening. In fact,

1 it usually takes an assessor to raise the
2 value, the assessed valuation of property,
3 in order to get a higher yield. As a result
4 the poor municipal legislator or councilman,
5 he has to go out on a limb every year and
6 say we are raising the property tax rate.
7 You do not have to do that with the property
8 tax or the sales tax.

9 The income tax is most elastic.
10 The sales is next and the property tax worst.

11 MR. PERSKIE: What we're saying,
12 let me ask you, is this, what you're saying
13 that we may anticipate that if the legislature
14 chooses any form of taxation on a statewide
15 basis other than that graduated it would be--
16 could be reasonably be expected in the
17 foreseeable future, we would have to come
18 back and increase either the base or the
19 raise of that tax?

20 MR. BECK: That's correct. I
21 would like to comment on the 6 percent tax.
22 If the expenditures increase, if the needs
23 increase, then you must increase the base
24 by keeping the values up-to-date or else
25 raise the rate. In other words, the 1.75 or

1 the 2.25 will not do the trick after the
2 first year. On this matter, on the 6 percent
3 capping which I haven't seen any material on,
4 I think it's the height of folly for any
5 governing body, local, state, or federal
6 to impose upon itself a limit when it doesn't
7 know what its needs are going to be. This
8 is tried in the 1930s, by the way, by many
9 states not including New Jersey and was given
10 up. That is to say under those highly
11 pressing conditions many states said no
12 property tax involved let's say 3 percent or
13 4 percent, but what they found was the next
14 year there were more kids going to school
15 or needing more for police protection and
16 even had to violate the constitution or the
17 statute or find themselves unable to provide
18 for the needs. I think if the State Legislature
19 goes to the 6 percent limit on local
20 government the State will have to bear the
21 responsibility for inadequate police protection,
22 fire protection and all other services that
23 local governments are expected to provide.

24 MR. MC GUINNESS: Professor, on the
25 question of elasticity and the fact that the

1 property tax is the least elastic of the
2 three major taxes so far, am I correct in
3 reading your comments that that is so not
4 because property necessarily appreciates at
5 a rate lower than increase in income, but
6 that the administration of the property tax
7 or assessment practices lag behind those
8 increases in property appreciation or
9 property evaluation?

10 MR. BECK: You're on the right
11 track. Your instinct is right. It's merely
12 the lack in assessments. The fact that
13 assessors are not out there every day or
14 every week raising the value of taxes, not
15 even once a year. It's also the fact that
16 property values have not risen as fast as
17 income. Obviously, if you live in declining
18 neighborhood your property value can go
19 down the same as your income is rising.
20 Property value, the value of real estate
21 will not rise as fast as income.

22 MR. MC GUINNESS: Do you know of
23 any state that has implemented a program
24 of property tax administration which has
25 reduced the inelastic features of the property

1 tax? Is there some? I don't know if it's
2 a magiv formula or whether higher paid
3 assessors or better use of computers, but
4 is there any state which has been notable
5 because its property tax valuation practices
6 have kept better pace with actual changes
7 in property value?

8 MR. BECK: This is a little outside
9 my field of competency. I believe the
10 State of New Jersey is very highly regarded
11 by the other 49 now as a result of the
12 improvements of the individual of the year.

13 MR. FROUD: Because I feel you can
14 make even the most inelastic tax base elastic
15 as Mr. McGuinness just alluded to, I'd like
16 to force you even though it's folly in your
17 opinion to put limitations on spending, I
18 feel that it's a very practical thing that
19 we must consider what can be proposed as a
20 means of capping.

21 MR. BECK: All right, if you believe
22 that government or firms are spendthrifts
23 and cannot be trusted and, therefore, you
24 better put some kind of limits on them then
25 you have to use a rational base and flat

percentage is not the way to do it.

First, I would make an allowance for a rise in prices. Last year, 1973, the cost of living of the individuals rose by approximately 10 percent and, incidentally, the cost of government services, one component of the overall price not cost of living, but all prices that always rises faster by more than the general prices. So the first thing that you're limited to contain is some allowance for an increase in prices, for if you've spending a million dollars this year and prices go up by 10 percent, next year's budget of 1.1 million provides only the same quantity of services.

The second allowance I think you should make in that limitation if you're going to have one is for gross in numbers. If your school population rises by 10 percent, 25 pupils to 30 pupils, you need another teacher. There's another \$10,000. That's not a true increase in government output or government services. That's another automatic or mechanical increase.

Now, if you were to add just for

those two factors population increase --
sorry, for the price increase and the fiscal
increase in person to be served whether
people or adults, then, I think, you might
be able to say beyond that every year no more
than 3 percent.

MR. FROUD: You're proposing that a combination of some per capital limitation and an inflationary factor?

MR. BECK: We must allow for an inflationary factor arrive gross income terms.

MR. FROUD: What would be a percentage above that?

MR. BECK: Beyond that you could say zero. In other words, you've gotten policemen for a community of 20,000 people that will do it or a 100 teachers.

MR. PERSKIE: Any other questions?

Thank you, Professor.

G E R A L D B A R O P H:

MR. BAROPH: My name is Gerald Baroph. We're investment brokers in the State of New Jersey. I also represent 20

1 commercial investment owners in the City of
2 East Orange. We represent approximately
3 70 percent of the commercial space in the
4 City of East Orange. Our company and I'd
5 like to qualify or present my qualifications
6 before I present our views. Our company
7 has several divisions, one a hotel division
8 that owns and operates some 1,500 hotel rooms
9 in the State of New Jersey from Mercer County
10 north which is the Howard Johnson Motor Lodge,
11 Newark Airport, many places in between,
12 Ramada Inn, in Clark, Holliday Inn, in Edison,
13 Holliday Inn, in East Orange. We also own
14 and operate some 750,000 square feet of
15 office space in the State of New Jersey,
16 having holdings of some 400,000 feet in the
17 City of East Orange. We have under construc-
18 tion 500,000 square feet of office building
19 space at Newark Airport called Newark Inter-
20 national Plaza.

21 We also have built and sponsored
22 some 5,000 apartment units in the State of
23 New Jersey from Trenton north to Mahwah,
24 New Jersey, that is from Mercer County to
25 Bergen County. We also have developed the

1 North Brunswick Industrial Center some
2 7,000 feet of industrial space.

3 I personally have ventures before
4 the NIRCRA and the Mortgage Bankers Associa-
5 tion. My hats are off to the architects of
6 this Court. I think it's a bad time that
7 our legislators took the bull by the horns,
8 even though we were directed to by the
9 Courts. I think that the Governor's bill
10 is as good a bill as we can adopt in the
11 State to start.

12 As was previously testified to, no
13 bill is perfect and we're going to find flaws
14 as we go along, but it's a start and we
15 must have a start. Gentlemen, I've sat here
16 for a couple of hours now and listened to
17 the various municipalities present their
18 views in terms of their problems, but I
19 haven't heard anyone say anything about the
20 State economics. We, gentlemen, in the
21 construction industry are in a deep dark
22 honest to God depression and make no mistake
23 about it. It hink that what was published
24 in the New York Times this week about the
25 building permits starts in the country

1 indicates what's happening throughout the
2 country and we here in New Jersey are
3 particularly affected because of our tax
4 structure. We have industrial tenants moving
5 out of the State of New Jersey because they
6 have to pay 26 cents a square foot in taxes,
7 down south they can buy -- taxes for 6 cents
8 a square foot.

9 We have buildings that are fine
10 industrial buildings for industrial tenants
11 that have been empty for some three years
12 because the industrial tenants will not pay
13 the taxes, and the result is catastrophic.
14 This means jobs to our people here in New
15 Jersey. We're talking about a 6 percent
16 unemployment rate right this minute. It's
17 going to be a lot more before we're through
18 if something doesn't happen rapidly. We
19 can look at our commercial complexes. We
20 are sitting with hundreds of thousands of
21 square feet of empty commercial prime space
22 in the State of New Jersey. When I say
23 hundreds of thousands, I just as well say
24 well over a million feet that I'm personally
25 aware of. The reason for that is obvious.

1 We have priced ourselves out of the commercial
2 market. Where states like Connecticut that
3 their rate per square foot is so much lower
4 than ours simply because of the tax structure.
5 Our tax in the City of East Orange show net
6 loss. I'm talking about net flow losses. I'm
7 talking about net cash flow losses. And we
8 have had deficit financing in this City for
9 the last three years and it just can't go
10 on. It's quite well-known that if you pick
11 up the Star Ledger and pick up the Sheriff's
12 Office in Essex County the reasons are
13 obvious there are three. One is our resi-
14 dential segment. Two is our commercial
15 segment, office buildings, hotels and the
16 like. Thre is our industrial segment. All
17 of these segments mean our people here in
18 New Jersey all of these segments whether it
19 be in the form of having a decent place to
20 live or whether it be in the form of having
21 a job, all of these segments refer to our
22 real estate tax base. The way it stands
23 now, unless the government is going to stop
24 it, we have so much trouble we'll never get
25 out from under. I'm not only talking for

1 myself, as a partner I'm speaking as I stated
2 for some 20 property holders in the City of
3 East Orange, I'm sure. You hear the same
4 thing. Whether they appeared before this
5 Committee up to now, I do not know. I wish
6 they would. My statistics are personal
7 statistics and can be backed up in certified
8 statements. So I am not putting something
9 on the record that cannot be substantiated.
10 I think I'd like to make mention of this
11 cap rate that was presented and testified to
12 previously by Professor Beck and Mayor Hart
13 and I think they credited quite well. You
14 can't set a limit on something you don't
15 know what the limit is. This goes towards
16 inflation. We see it all the time in terms
17 of our employees' requirements. And unless
18 there's a control on tax, obviously there
19 can't be a control on taxes in terms of
20 percentage increase.

21 I am really sorry that I didn't
22 have more time to prepare. I'm not a lawyer.
23 I just say what I think and what's in my
24 heart and I think that the citizens of our
25 State are being raped. And they're being

1 raped by the lack of dollars and the lack of
2 dollars is due to improper taxation.

3 I'd like to only say one more thing.
4 We in our industry, in the residential
5 industry, have virtually stopped building
6 new residences. There is no way the average
7 man can afford to buy a new home and pay
8 the taxes on the present tax base and this
9 is one of the major contributing factors
10 along with the financing costs today that
11 has completely wiped the residential industry.
12 I don't think I say anything we're not all
13 aware of. It's in the papers every day and
14 for everyone to see.

15 MR. PERSKIE: We very much appreciate
16 your comint to testify.

17 Mr. McGuiness has a question.

18 MR. MC GUINNESS: Have you had an
19 opportunity to review the alternative pro-
20 posals which would rely on classification of
21 property with a higher rate set at either
22 2.25 under the Senator Bedell plan or \$2.50
23 under Senator Russo's plan on commercial
24 and industry property with lower rates
25 classified for residential property?

1 MR. BAROPH: All I know about is
2 what I read in this morning's statement. If
3 you want to drive commercialization out of
4 this State -- it's so tough now that you
5 can't keep them in the State, what are you
6 going to do if you put an additional tax on
7 them? It's absolutely ludicrous.

8 MR. PERSKIE: We have an additional
9 seven individuals who have requested time.
10 We will stay here until everyone gets a chance.
11 I want to emphasize we will recess at 5
12 o'clock and commence again until 7 p.m. and
13 go until everyone who wants to be heard is
14 heard. I have several people who have asked
15 for this afternoon's time. If we can get
16 them in for this afternoon. I would ask
17 each of them to make their contribution for
18 that effort.

19
20 L E E D' L U G I N :

21
22 MS. D'LUGIN: I'm representing the
23 Communist Party of New Jersey.

24 Members of the Committee, ladies
25 and gentlemen of the press, victims of the

1 unjust tax system of New Jersey, the Communist
2 Party of New Jersey is here to testify in
3 behalf of the poor, the underpaid and the
4 overtaxed.

5 Let us start by first challenging
6 the constitutionality and legality of these
7 hearings. There can be no legal hearings
8 on any legislative proposal, where that
9 proposal has not first been circularized in
10 its true form among the constituency affected.
11 No such circularization or availability of
12 the so-called tax proposals before this
13 Committee has been made to the general public.
14 Any claims by any member of this committee
15 or any other representative of government
16 in this State, that all any interested party
17 had to do was go to the State Capital in
18 Trenton to secure copies of the proposed
19 taxes is dubious at best. Nor can there
20 be any legal or constitutional consideration
21 of any proposed legislation in this State
22 by any legislative committee of the Senate
23 or Assembly without the hearings on those
24 proposals being held in the main centers
25 of population. To hold hearings out of the

1 reach of the masses of taxpayers is tantamount
2 to taxation without representation. Nor
3 can we accept any specious argument that
4 those denied access to the hearings are
5 otherwise represented through the elective
6 process.

7 In view of these circumstances the
8 Communist Party of New Jersey will investigate
9 the possibility of every legal procedure
10 to block any new tax burdens placed on the
11 poor and the working people in this State
12 resulting from these hearings.

13 I am reminded of the founding fathers
14 of our country, one of whose works echo in
15 this chamber "Taxation without representation
16 is tyranny." We don't need the Watergate
17 tyranny of the White House in the State House
18 of New Jersey.

19 We urge this Committee to take this
20 burning question to the people. Let the
21 people be heard. We call upon you to hold
22 open hearings in every county seat in the
23 State.

24 Now, to the question of who pays
25 the taxes in New Jersey, who doesn't pay the

1 taxes in New Jersey, and who should pay
2 the taxes in New Jersey.

3 The working people pay the bulk of
4 the State's taxes. Families that earn only
5 \$3,000 per year pay 19 percent of their
6 income in State taxes. Families that earn
7 \$50,000 pay less than 5 percent. With this
8 in mind the Communist Party of New Jersey
9 proposes a fair, just and equitable tax
10 program for all the people of New Jersey.

11 We propose; 1, that the New Jersey
12 Federal Legislative Delegation as a body
13 introduce and begin a massive campaign in
14 Congress for the enactment of a federal
15 excess profits tax on the corporations.
16 Monies raised from these taxes are to be
17 returned to the State to build homes,
18 hospitals, school, et cetera.

19 2, abolish the sales tax, enact
20 a constitutional amendment making such a
21 ban permanent.

22 3, abolish property taxes on owner-
23 occupied one and two-family dwellings. Tax
24 savings to be shared with tenants.

25 4, enact a State income tax with

1 a, exempt all incomes under \$15,000 a year,
2 and, b, to be sharply graduated above
3 \$30,000.

4 5, increase the tax on corporations
5 from the present rate of 4.25 percent to
6 at least the 19 percent the poorest residents
7 pay.

8 6, double the present inheritance
9 tax on estates over a \$100,000.

10 7, abolish the corporate tax havens
11 such as Teterboro and Rockleigh.

12 8, tax the foundations and the banks,
13 again our constitutional delegation must
14 move in Congress to get enabling legislation
15 passed.

16 9, tax the Port Authority facilities
17 such as bridges, airports, et cetera.

18 10, a uniform statewide taxation
19 of all income producing property.

20 11, abolish the gasoline and beer
21 taxes.

22 12, tax presently exempted church
23 properties except for schools and church
24 edifices.

25 13, abolish worker contributions

1 to the State Unemployment Insurance and State
2 Disability Insurance.

3 14, absolute tax on any importer
4 that moves out of New Jersey to another
5 location.

6 One need only look at the mounting
7 profits of the rich corporations and the
8 mounting debt and poverty of the working
9 people between whom are sandwiched the
10 middle income people whose homes and whose
11 belongings are in jeopardy to realize that
12 the only solution for the ills that plague
13 our cities, our decaying schools, our
14 crumbling transit system and our polluted
15 environment is to adopt the tax program as
16 proposed by the Communist Party of New
17 Jersey. We are sure that this program has
18 the backing of the poor, the overtaxed working
19 and middle income people of New Jersey. It
20 is time the State Legislature and the
21 Governor saw things from the people's point
22 of view rather than the corporation's.

23 MR. MERLINO: I don't want to put
24 you on the spot. Have you made any evalua-
25 tion how much money could be generated from

1 the Senate proposals?

2 MS. D'LUGIN: We have done somewhat
3 of a line by line analysis of how much money.
4 Actually, much more money would be coming in
5 than presently exists. We can send that
6 to you.

7 MR. MERLINO: Especially what you
8 can raise on tax and foundations.

9
10 B. C. MITCHELL :

11
12 MR. MITCHELL: Mr. Chairman, members
13 of the Committee, just as the lady said I've
14 been working with the Star Ledger. Your
15 office has put out a lot of garbage. The
16 information here is ridiculous to say the
17 least.

18 MR. MERLINO: Would it be better if
19 you work with the Department of Sanitation?

20 MR. MITCHELL: I can only go by
21 the figures they have here in the Ledger.
22 I'll come to that a little later. But, first
23 I want to get to the basic statement that
24 was issued by Judge Botter in his decision.
25 And, also, he made a statement that property

1 tax for education is unconstitutional. Now,
2 under the proposal that has been issued so
3 far it looks to me as though the property
4 tax will still hold, will still be in with
5 us. Getting back to the educational part,
6 the money's still there, it's all there but
7 if you cut out the unuseful programs and
8 economize and institute qualified teachers
9 issued say that education, adequate education
10 will result.

11 Now, you can spend all the money
12 you can get your hands on and certainly will
13 not insure an adequate education. You'll
14 just spend and spend and spend and does not
15 mean you'd get an adequate education. I've
16 been educated in the State of New Jersey
17 and my budget is far smaller than you're
18 calling for today and I had adequate educa-
19 tion. There must be some other reason.

20 Getting back to this information
21 passed onto the newspapers I don't know
22 where it came from. Apparently it came from
23 your office. The radio, TV and the news
24 gave out that information. I heard one of
25 the Committee members as well as Chairman

1 Merlino what they're trying to do is reduce
2 the property tax, but on the basis of what
3 I've seen so far this is not true. On some
4 of the examples given in the newspaper
5 ludicrous would be a good example.

6 For instance, they gave a case of a
7 man having a \$30,000 house with an \$8,000
8 income. He's got a tax rate of 2.3 percent
9 per 100. Now, where in the world do you
10 get 3.3 percent? This comes out in this tax.
11 He gets a credit of a \$150. I worked it out
12 in detail, finds he gets back \$10.

13 A man with a \$30,000 house and an
14 \$8,000 income, what's he doing in the first
15 place with a \$30,000 house? Do you understand
16 what I mean?

17 Let's keep this on the basis when
18 you have 8.67 like they have in Orange. 8.67
19 in 1975 that would be 9.23.

20 Now, going back to what Mayor Hart
21 said before, \$25,000 on a house, \$2,000 tax.
22 That's what it's going to be on a \$20,000
23 house. You're paying \$1,819 tax. That would
24 be around \$2,000. I personally pay \$2,000
25 for a \$21,000 house. The property is a 110 by

1 70. A five-room house. You guys are going
2 to lap on that \$1,000 on my lot. In other
3 words, there's going to be breaking point
4 somewhere. The only thing is I'll have
5 to move out of the State of New Jersey on
6 that basis. However, let's go on.

7 It also looks to me that can happen
8 with the so-called circuit breaker. I call
9 it back breaker. I call it a circuit back
10 breaker. People with \$10,000 income can go
11 out and buy a \$50,000 home and have a State
12 subsidize the tax on that property. You
13 figure it out for yourself. If you take
14 the example they gave in the Ledger for a
15 guy with a \$30,000 house and \$8,000 income
16 just project that in terms of \$50,000 out
17 at 8.67 percent tax rate. In fact, 9 percent
18 something higher who's going to make up the
19 difference. The guy in the middle and the
20 guy in the middle who's going to be settled
21 with that difference and you're going to wind
22 up with nothing but -- well, you know what
23 I mean.

24 Most of the men here testified
25 about the so-called cap on 6 percent on any

1 increase in rates each year. That's what's
2 happening now. Orange has just burdened
3 us with another \$140 that's 6 percent. We
4 say we should hold the 3 percent.

5 One gentleman who was just here a
6 moment ago, he said he wanted more than 6
7 percent. He wanted 15 percent. In other
8 words, if you allow that to go on where are
9 you going to end? The next thing they'll
10 say I want 15, 20 percent. All the politicians
11 want to grab all the money they can. Current-
12 ly, I pay \$675 of the school tax. My total
13 tax is \$675 total school and, yet, as it
14 stands now with the bills that's proposed
15 now, I'm paying \$2,000 tax and I computed
16 what I would have to pay, I'd have to pay
17 an additional \$1,000. Now, I'm paying \$675
18 now and they want another extra \$1,000 out
19 of me to take care of those.

20 Furthermore, getting back to what
21 is bothering them, why is it then necessary
22 for us to go into the Courts and also the
23 welfare. Let's talk about education, that's
24 all he talked about. You people have a
25 mandate only in regard to education. I don't

1 know why you're bringing in the Courts and
2 also the Welfare business. You people don't
3 have a mandate for that. Why not just take
4 of education first? Why the Courts and why
5 the welfare?

6 MR. PERSKIE: Mr. Mitchell, if I
7 may, are you a resident of East Orange?

8 MR. MITCHELL: Orange.

9 MR. PERSKIE: If I may on this,
10 there are members of the media here and I
11 don't want to leave, you know, incorrect
12 interpretations. You indicate, I believe,
13 that you lived in a house with an assessed
14 valuation of approximately \$20,000.

15 MR. MITCHELL: \$21,500.

16 MR. PERSKIE: According to the
17 figures that I have with reference to the
18 proposals made which are among those under
19 study I don't know your income, I'm not
20 asking you for the moment, but in a house
21 in Orange City with a valuation of \$20,000
22 taking into account all of the various
23 proposals that have been submitted under
24 the auspices of the Governor's program, you
25 would receive a net tax reduction of \$900.

1 With a \$9,000 income, \$859. With a \$13,000
2 income you would receive a net tax reduction
3 of \$750. With a \$17,000 income you would
4 receive a net tax reduction of \$255. With
5 an income of \$26,000 you would pay additional
6 taxes in the amount of \$290 so that I'm
7 forced to assume, although it's not on my
8 chart, an increase in taxes of \$1,000 you
9 are talking about a taxable income somewhere
10 in the neighborhood of \$50 or \$60,000.

11 MR. MITCHELL: You're wrong. I'm
12 sorry, based on figures that were presented
13 in the paper that's all I can go by.

14 MR. PERSKIE: If I may? In no way
15 castrating the paper in question, I would
16 respectfully suggest that the conclusions
17 you have reached probably do not take into
18 account all of the various aspects including
19 the credit computed in the determination of
20 the taxable income. I'm only suggesting
21 for your sake as well as the media, as well
22 as anyone else who may be listening that
23 your \$1,000 figure probably is substantially
24 incorrect.

25 MR. MITCHELL: I hope it is, but I

1 doubt very much.

2 Now, the stuff is published here.
3 I've heard it on the radio. I've heard it
4 on the TV. You're giving the impression
5 that you're going to save a heck of a lot
6 of money. This thing came from the State.
7 The gentleman didn't fix this up themselves.

8 MR. PERSKIE: You probably have
9 had access to a part of the information.
10 Again, without commenting on the Star Ledger
11 as I understand it I can give you a phone
12 number which you may call if you want to
13 write it down, you may tell them what your
14 circumstances and they'll tell you exactly
15 what your tax will be. Area code 609-292-1700.
16 292-1700. If you'll call them at any time
17 you don't have to give them your name, tell
18 them where you live, note the various data
19 they give you and I'm sure they'll come up
20 with a figure the same as mine.

21
22 F R E D S T E I N :

23
24 MR. STEIN: My name is Fred Stein,
25 I'm spokesman for the Coalition Against Taxes.

1 We believe that public schools have failed.
2 Statistics prove that with more illiterates
3 graduating out of school every year more
4 and more people are turning to private
5 schools. Even the poor and even the black
6 are turning to private schools. Then public
7 schools fail, the government does not have
8 a monopoly on truth. We believe taxation
9 is theft to take from one company. The
10 Symbionese Liberation Army is doing just
11 that. They redistributing income that's
12 what government does. Once the Supreme
13 Court Judge said the power to tax is the
14 power to destroy. We believe in that motto.
15 We want a transition from the State to a
16 less, say, fair capitalist society. We want
17 the government to stop spending money. We
18 want the government to stop building roads.
19 We want the government to stop building
20 schools. We want the government to stop
21 building buildings for bureaucrats. We
22 want to stop all government programs. We
23 want to stop compulsory free lunches. There
24 ain't no such thing for free lunch. Some-
25 where someone has to pay for it. If you

1 don't pay your taxes you go to jail. If the
2 State government legislature gives us a
3 State income tax we will engage in a tax
4 strike and organized people can refuse to
5 pay. The strike would be a first tax pair
6 strike nationwide. I have a couple books
7 to suggest for you to read. Some people
8 here have faith in government which loses
9 very much. Which shows that people lose
10 faith in government because paper money isn't
11 worth anything. What we want is to repeal
12 a lot of the laws, repeal taxes and help
13 to reduce the burdens. One final word, don't
14 trust these legislators.

15 MR. PERSKIE: Where do you live,
16 Mr. Stein?

17 MR. STEIN: I live in Maywood.

18
19 M R. R O G E R S :

20
21 MR. ROGERS: I live in Long Branch,
22 147 Franklin Avenue, Long Branch, Monmouth
23 County. Congressional candidate from the
24 Third Congressional District. I'm here to
25 represent the people of Monmouth County that

1 are in our organization. I'm also the State
2 Chair person which has branches in every
3 major city in New Jersey.

4 Basically, I'd like to emphasize
5 a few points. I have a whole program.

6 MR. PERSKIE: Mr. Rogers, if you
7 would be kind enough to supply us with a
8 copy with your program we will see to it
9 that it's included in the minutes of the
10 meeting.

11 MR. ROGERS: Working people are
12 suffering under inflation, phony fuel and
13 food crisis and from increases taxes. They're
14 demanding radical and permanent release.
15 Working people pay for the running of New
16 Jersey. A family earns 3,000 per year pays
17 19 percent of their income in State taxes.
18 People who earn \$50,000 pay less than 5 percent.
19 This is discriminatory and racist to the
20 family who is making \$3,000 a year is usually
21 young or black or aged on a fixed income.
22 We call for some basic changes. These
23 changes are complete abolishment of the
24 State's sales tax. I'm a retail clerk for
25 an occupation. I'm the person who has to

1 ring that sales tax up and I know how it
2 affects people. They come in with a grocery
3 bill for 5 or \$6 and have 5 percent added
4 just because they need some dog food for
5 their cats and dogs. It's got to stop. It's
6 paying right out of their pockets.

7 The State income tax we're for
8 State income tax, but we want all incomes
9 under \$12,500 or \$15,000 to be exempted.
10 No tax to them and to sharply graduate to
11 an income of \$30,000 a year to be sharply
12 graduated that income must go to the support
13 of New Jersey. This is a change. Increase
14 the tax on corporations from the presen
15 rate of 4.25 to at least 9 percent that the
16 poorest resident pays. The poorest residents
17 are paying the tax. Abolish workers State
18 Unemployment Insurance and State Disability
19 Insurance. I know how that affects when you
20 get 3 to \$4 out of your paycheck.

21 I make about \$60 a week. You get
22 through \$4 taken out, that's got to stop
23 because the basic benefits are there. The
24 employer gets away with it. He should pay
25 increased amount and we shouldn't pay any.

1 I'd like to say that the increased taxes
2 should go on corporations. They say the
3 companies are going to leave New Jersey.
4 The companies who have^{been}/in New Jersey, the
5 workers of New Jersey, the people of New
6 Jersey have looked to these companies.
7 The bosses may profit off of the worker. He
8 says he's going to go to Alabama or somewhere
9 because we're trying to ^{get}/the basic good from
10 what we've earned. We should -- there should
11 be an absolute State takeover, State
12 nationalization of a company if it threatens
13 or plans to leave New Jersey. The people
14 can leave, the goods that the workers of
15 New Jersey made stay.

16 That's basically it.

17
18 E D W A R D S E L Z E R , Harrison, New Jersey.

19
20 MR. SELZER: I didn't intend to
21 speak except when I heard that the gross
22 receipt tax would be repealed. Is that the
23 gross receipts that the public utilities
24 pay?

25 MR. PERSKIE: That by the way is

1 merelyⁱⁿ the form of a proposal. I want to
2 make that clear. It has been suggested in
3 the form of legislation to repeal the retail
4 gross receipt tax. It is not related to
5 the tax on utilities.

6 MR. SELZER: May I offer some other
7 suggestions? The capping on the amount of
8 money to spend or in relation to the tax
9 rate for the municipalities, it's rather
10 a difficult task to limit that. Due to the
11 fact of the cost of inflation the demand on
12 various labor unions and the cost of operating
13 would be so uncertain that to place a limita-
14 tion of any percentage would be rather
15 difficult and it may also work a hardship
16 on the credit of the municipality due to
17 the venture into the outstanding bonds which
18 states that the municipality has a limited
19 law of tax. Where a limit is placed it
20 may reduce the credit of the municipality.

21 Another question that I have is
22 that with this new legislation I would
23 suggest that consideration be given to
24 dedicate the revenue from this particular
25 source to the purpose that it is intended

1 for that in the event that there is any
2 surplus monies left over that it be used in
3 the event where the revenue may not meet
4 the expenses and refer back to the time
5 wherein 1950 or '51 there was a cigarette
6 tax dedicated to education that slowly
7 disappeared and it became generally revenue
8 of the State.

9 Another area that would be beneficial
10 would be a two-tier tax base for residential
11 and for industrial or commercial properties.
12 I believe also that if the State would
13 consider through the Local Tax Property Bureau
14 of stratify class for property would segregate
15 the apartments. In the industrial and
16 commercial there would be a better level of
17 average at the true ratio.

18 MR. PERSKIE: You want to include
19 apartments as residential?

20 MR. SELZER: That is correct. In
21 the past 15 years I have spoken to the
22 Property Tax Bureau about this because the
23 Town of Harrison is only one community I
24 offer services to. Another one in Hudson
25 County where they have a large percentage of

1 industrial property and a sale of apartment-
2 house affects 50 million dollars of ratables
3 and inflates the true value on which the
4 State School Tax revenue is based upon and
5 also the apportionment of county taxes.

6 MR. PERSKIE: Thank you, Mr. Selzer.
7 Any comments or questions from the Committee?

8 By the way, I see Harold Martin,
9 an Assemblyman from Bergen County.

10
11 P A U L L O G E N :

12
13 MR. LOGEN: I'd like to speak as a
14 taxpayer of New Jersey. I think it's very
15 appropriate that this hearing is in East
16 Orange because last week in the Newark paper
17 it had a clipping about the East Orange Council
18 demanding that ^{the} East Orange Board of Education
19 do something about hundreds of students
20 roaming the streets while they should be in
21 school. That's a sad situation that the
22 Town Council has to go over to the other side
23 of the fence, tell the Board of Education
24 to do something about it. We're here mostly
25 on the discussion of T & E, thorough and

1 efficient, which is a main reason for this
2 income tax proposal of Governor Byrne.

3 It's going to be very difficult to
4 equalize when we have children who do not
5 want to go to school, that they roam the
6 streets. All of our citizens want equal
7 education, equal opportunity for all, but
8 some do not have that opportunity in the home.

9 Mr. Martin knows all about the
10 working mothers. Half of the mother of New
11 Jersey are working today. Mrs. Martin saw
12 several hundred of those mothers at a hearing
13 of another commission which she's on about
14 William Paterson College two weeks ago who
15 were up in arms about the possibility of
16 bussing and income tax.

17 Now, it's sad that we have students
18 roaming the streets. We want them to be
19 in school. It's unfortunate that thorough
20 and efficient might be the excuse for a State
21 income tax. Earlier we had a professor from
22 a State university who testified. I was
23 born unfortunately in Jersey City. I'm a
24 refugee from Jersey City. The first half
25 of my live I spent there. I went to my

1 first five colleges in Jersey City. When
2 I graduated from college I was looking for
3 a teaching job and I wrote a letter to Mayor
4 Hague. A few days later I didn't have a
5 phone at the time, but I got a message from
6 the local war hero. He called me in. I
7 knew his son, he said, Paul, you shouldn't
8 write a letter to the Mayor. He had my
9 letter in his hand. He said, if you want a
10 job teaching show you're a member of the
11 Democratic Club.

12 I'm not talking politics because
13 I know we couldn't have more of a mess than
14 we had in Washington. We couldn't have more
15 of a mess than we had in the Cahill administra-
16 tion. I just read in the Social Studies
17 Magazine, December, 1973, that we have 167
18 politicians in the State of New Jersey either
19 local or State who had either been found
20 guilty or indicted. Yesterday we had another
21 one who was found guilty who had to give up
22 \$10,000 for a \$127,000. We had former Mayor
23 of Jersey City out of jail last year, poor
24 health. He's still living. Another Mayor
25 of Jersey City in jail, former Congressman

1 from Hudson County in jail. Former Mayor
2 in jail. My main fear is the fear of the
3 loss of experienced legislators. I mean
4 that sincerely as a former professor I know
5 that the United States Senate in their great
6 wisdom of the writers of our Constitution
7 every two years we elect Senators for six
8 years so we'll always have two-thirds of
9 our United States Senate with experience.
10 I fear for New Jersey if this income tax
11 goes through because I see the same story now
12 two years from now in our Assembly that we
13 just had recently.

14 The people of New Jersey we have
15 a history of not wanting an income tax. They
16 fought this some years ago but now we're
17 under the so-called Court decision, Judge
18 Botter. Whoever heard of this Mr. Botter
19 before this decision? All of a sudden we
20 have the Courts rule New Jersey. The
21 legislature, you rule New Jersey. A few
22 years ago we had a man in high office in New
23 Jersey who found they made a great mistake
24 that a candidate had spent well over a
25 \$100,000. What did the legislature do? They

1 wanted to protect this man. They voted this
2 law out. Theyvoted a new law in. They
3 never investigated that the man in the highest
4 office in the State of New Jersey had over-
5 spent what the law said. You can overthrow
6 Botter if you want tomorrow. You have a
7 man 64 years of age replacing a man who is
8 65 years of age as top Judge, a politician
9 and great lawyer.

10 MR. PERSKIE: I would request,
11 particularly by the fact that we are limited
12 that you either conclude,if you wish more
13 time we'll be able to make it available to
14 you starting at 7 o'clock tonight.

15 MR. LOGEN: I'm sorry. I conclude
16 by saying, no income tax for New Jersey.

17 MR. PERSKIE: Thank you very much.
18 If you desire to come back and give us some
19 more of your thoughts on the question of
20 the subject before us we will be reconvening
21 at 7 o'clock. That session will be Chaired
22 by Senator Merlino and Senator McGuiness.
23 I want to thank everyone here and the Silver
24 and Renzi Reporting Service. WE will re-
25 convene at 7 o'clock to hear from anyone else

1 who desires to be heard.

2

3 * * * * *

4

5

6

7 C E R T I F I C A T E

8

9 I, MARYANN VERBITSKY, a Notary

10 Public and Certified Shorthand Reporter of

11 the State of New Jersey, hereby certify that

12 the foregoing is a true and accurate tran-

13 script of my stenographic notes.

14

15

16

17 *Maryann Verbitsky*

18

19

20

21

22

23

24

25

Kate Tarnofsky
9 Barry Drive
West Orange, N.J.
June 19, 1972

I am here today as a parent, a home owner and a resident of Essex County.

I have read with interest some of the proposals made to finance a "thorough and efficient" education as mandated by the Botter decision.

It is my opinion that a graduated net income tax would be the best source of tax revenue to replace the local property tax. I think it would reduce the regressive nature of our present tax structure so that the burden would fall more evenly on all citizens. An income tax would be more capable of providing adequate revenues to keep pace with future needs. Finally, and most important, it would reduce the overreliance on the property tax.

As a citizen and taxpayer I do want the guarantee however that the passage of an income tax assures the passage of certain other provisions as part of an overall revised New Jersey tax program.

Among these guarantees I would expect ^{a limit on} the local property tax for individual taxpayers, the assumption of municipal, county, court and welfare costs by the state, and a tax credit for renters and senior citizens on fixed incomes.

WILLIAM S. HART, SR.
MAYOR

June 12, 1974

Effect of Proposed State Tax Reform Package if it Had Been Applied to the 1974 East Orange Budget.

SCHOOL COSTS:

The state, under the Governor's proposed program will guarantee an equalized valuation per pupil of \$106,000 which is double the current state average.

The current equalized valuation per pupil in East Orange is \$36,745. The cost for the education of each pupil under the current East Orange budget is \$1,637. State aid to the East Orange school district currently amounts to \$7,292,203.

Under the \$106,000 equalized valuation system, the East Orange school system would have received state aid amounting to \$13,224,502. That would have marked an increase of \$5,932,299.

State aid currently comprises 37% of the East Orange school budget. Under the proposed program, the state would have provided 68% of the budget.

The school purposes portion of the 1974 East Orange budget amounts to 282 points (\$2.82 per \$100.) of the 1974 tax rate of \$7.46 per \$100. of assessed valuation. If the proposed system had been applied in 1974, the school purposes portion would have amounted to 159 tax points. That would have meant a decrease of \$1.23 per \$100.

In terms of tax dollars, the owner of a \$20,000 home in East Orange currently pays \$564. in taxes to support his school system. Under the proposed plan for school funding, the owner of the same home would have paid \$318. in taxes for his school system.

In summary, state support to the East Orange school system would have increased 31% in 1974 under the proposed program.

TABLE I 1974 East Orange as an example of the proposed plan -

Equal Val. Per Pupil	Current Exp. Budget Cost Per Pupil	State Aid		
		Now	Proposed	Increase
\$36,745	\$1,637	\$7,292,203	\$13,224,502	\$5,932,299
% of Budget in State Aid		Tax Rate for Schools		
Now	Prop.	Now	Prop.	
37	68	\$2.82	\$1.59	

WILLIAM S. HART. SR.
MAYOR

June 12, 1974

Effect of Proposed State Tax Reform Package if it Had Been Applied to the 1974 East Orange Budget.

-2-

MUNICIPAL OVERBURDEN:

The Governor's proposed plan makes extensive provisions for relief to municipalities which are currently bearing an unduly heavy tax burden for supplying certain services which should be provided by the state. Such costs, which the Governor's plan proposes be absorbed by the state, include city and county welfare and county courts. The Governor's plan also proposes that the state pay the full assessed value for all property it owns in various municipalities (in lieu of taxes). Also proposed is a housing tax makeup plan whereby the state will pay the difference between what the municipality now receives from "in lieu of" tax payments on publicly assisted housing and what a municipality would be receiving if these units paid full property tax rates. Finally, the Governor has proposed a system of Net Block Grants. This program, which would in essence replace the state's current formula for urban aid, is designed to provide a mechanism to give each municipality a property tax base equal to the state-wide average property tax base per capita.

Had these programs been in effect in 1974, East Orange would have received \$6,926 in lieu of taxes, \$1,233,252 in housing makeup and a Net Block Grant of \$4,245,728. In addition, the state would have absorbed the 1974 East Orange costs of municipal welfare (\$409,854), county welfare (\$1,354,737) and county courts (\$435,328).

Had all those deductions been effective in 1974, the City's 1974 Tax Levy of \$35,015,339 would have been reduced by \$7,735,825. The 1974 Tax Levy would then have been \$27,279,514. That deduction in the total tax levy would have meant a reduction in the 1974 tax rate of \$7.46 per \$100. to \$5.94, a decrease of 152 tax points.

TABLE II Municipal Overburden Plan if applied to East Orange in 1974 -

<u>1974 Tax Levy</u>	<u>County Welfare</u>	<u>Municipal Welfare</u>	<u>In Lieu of Taxes</u>
\$35,015,339	\$1,354,737	\$409,854	\$ 6,926
	<u>Housing Makeup</u>	<u>County Courts</u>	<u>Net Block Grant</u>
	\$1,233,252	\$435,328	\$4,245,728

Total deductions: \$7,735,825

WILLIAM S. HART, SR.
MAYOR

-3- June 12, 1974

Effect of Proposed State Tax Reform Package if it Had Been Applied to the 1974 East Orange Budget.

TABLE III Total Effects on Budget and Tax Rate -

1974 Tax Levy	\$35,015,339
Less Overburden Deduction	<u>7,735,825</u>
Total With Deductions	\$27,279,514
Less School Deductions	<u>5,932,299</u>
Total	\$21,347,215
1974 Tax Rate	\$7.46
Less Overburden Deductions	<u>1.52</u>
Total With Deductions	\$5.94
Less School Deductions	<u>1.23</u>
Total	\$4.71

The \$4.71 per \$100. of assessed valuation figure would include county, veterans and senior citizens portions.

The net effect of both the proposed school financing plan and the municipal overburden deductions would have been a reduction of roughly 36.8% in the 1974 Tax Rate.

Under the 1974 budget, the owner of a \$20,000 home is now paying annual taxes of \$1492. Had the Governor's program been applied in 1974, the owner of the same home would have paid \$942. in property taxes. At an annual savings of \$550., that homeowner would still be receiving the same essential services and, most likely, would find his school system improving its efficiency.

It is logical to assume that if the Governor's plan is put into effect in time for the 1975 budget, an approximate reduction of 36% could be anticipated.

Furthermore, a dramatic reduction in the tax rate could very well have a "ripple" effect in the future. For example, a lower tax rate might well serve to increase tax collections and reduce the Reserve for Uncollected Taxes. A lower tax rate would also serve as an inducement for developers and business interests which wish to locate in East Orange. A lesser tax bite would serve to improve the problem of abandoned and boarded up homes, since taxpayers will be bearing less of a burden.

- - - - -

IN SUMMARY, AS MAYOR OF THE CITY OF EAST ORANGE, I FEEL IT IS VITAL THAT THE LEGISLATURE IMPLEMENT THE ADMINISTRATION'S ENTIRE INCOME TAX PLAN IN THIS SPECIAL SESSION. I WILL, AND THIS MAY UPSET A FEW LEGISLATORS, BUT THAT IS HOW CHANGE IS MADE, AS A TAXPAYER AND MAYOR OF EAST ORANGE NOT HESITATE TO BRING SUIT AGAINST THE STATE OF NEW JERSEY TO BLOCK IMPLEMENTATION OF A STATEWIDE PROPERTY TAX TO FINANCE PUBLIC EDUCATION.

STATEWIDE PROPERTY TAX PROPOSALS, WHILE SEEMINGLY ADEQUATE FOR NEXT YEAR, WILL QUICKLY LEAVE A SHORTAGE OF REVENUE TO PROVIDE A THOROUGH AND EFFICIENT EDUCATION. A FIXED PROPERTY TAX WILL PROVIDE A FIXED INCOME TO THE STATE. THIS FIXED AMOUNT OF MONEY MUST BE DISTRIBUTED AMONG A VIRTUALLY CONSTANT SCHOOL POPULATION. THEREFORE, AS COSTS INCREASE, THE AMOUNT OF MONEY AVAILABLE PER PUPIL MUST DROP, THEREBY NOT MEETING STANDARDS FOR THOROUGH AND EFFICIENT. THIS FLIES IN THE FACE OF THE SUPREME COURT MANDATE IN THE BOTTER DECISION AND CAN NOT BE TOLERATED. TO SUBJECT THE PEOPLE OF NEW JERSEY TO ANOTHER UPHEVAL, SUCH AS THAT TO WHICH THEY ARE NOW EXPOSED WOULD BE UNCONSCIONABLE.

FURTHER, AS ONE OF THE 4 MAYORS ON THE ROBINSON V. CAHILL SUIT, AND THE ONLY MAYOR OF THAT GROUP STILL IN OFFICE, I WILL BRING SUIT AGAINST THE STATE TO ENJOIN THE ~~XXXXXXXXXX~~ DISTRIBUTION OF ONE PENNY BY THE STATE DEPARTMENT OF EDUCATION TO LOCAL

DISTRICTS UNLESS BOTH ~~THE LETTER AND SPIRIT OF THE BOTTER DECISION ARE FULLY IMPLEMENTED.~~

② *Further I will seek to enjoin expenditure of one penny by local school districts of local tax money unless*

③ IT'S TIME TO STOP RAPPIN AND START MAPPIN-----THANK YOU

PREPARED STATEMENT FOR PRESENTATION
AT PUBLIC HEARING
ON
TAX REFORM IN THE STATE OF NEW JERSEY

Held June 19, 1974 at East Orange City Hall

This statement is presented by the Committee on State Taxation of the New Jersey Society of Certified Public Accountants.

This committee is represented by:

Herbert Tuteur, C.P.A. - Chairman - Sobel, Weismann & Co.
East Orange, New Jersey

Alan Preis, C.P.A. - Committee Member - Touche, Ross & Co.
Newark, New Jersey

Stephen Epstein, C.P.A. - Committee Member - Peat, Marwick,
Mitchell & Co., Newark, New Jersey

We represent the New Jersey Society of Certified Public Accountants. There are approximately 7,500 Certified Public Accountants in the state of New Jersey, approximately 4,100 are members of the New Jersey Society of Certified Public Accountants.

This committee, the Committee on State Taxation, has actively participated in the past in the deliberations of the Tax Policy Commission during the previous administration and has had continuous rapport and liaison with the Division of Taxation.

This committee, together with committee of the Bar Association, has been requested by the governor's office to review the tax program as it is being developed.


On the instructions of the board of trustees of the New Jersey Society of Certified Public Accountants, no policy decision is being taken by this committee either for or against the imposition of an income tax. Our purpose in these deliberations is strictly of technical nature to be sure that the tax bills, if they should be enacted, are technically correct; present the minimum of administrative and collection problem and are easy for the

taxpayers to understand so that the taxpayers are not burdened by an additional complicated tax structure and filing requirements.

With this in mind, the committee endorses the piggy-back concept either in its pure form as tied in to the Mills Bill, or in the alternative, tied in to federal taxable net income, so that at any time a full transition to the provision of the Mills Bill can be accomplished.

The committee recommends a minimum tax based upon the federal computation, first to be able to qualify under the Mills Bill, secondly to facilitate the audit and enforcement procedure.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Herbert Tuteur". The signature is written in dark ink and is positioned above the printed name and title.

Herbert Tuteur, Chairman
Committee on State Taxation
New Jersey Society of Certified Public Accountants

On Tax Reform
Wednesday, June 19, 2:00 P.M.
East Orange City Hall

and Public Finance
Rutgers University-Newark

1. The income tax is "an idea whose time has come"
 - a. Botter Decision, Supreme Court, Deadline for Revision of School Finance
 - b. Governor Byrne's Plan, once it is understood, will win widespread acceptance
 - (1) Most people (income less than \$15,000) will get a tax cut because their new liability under the income tax will be more than offset by property tax reduction
 - (2) Upper income groups (top 20%?) will pay more
 - Tenants will get a break (deduct property tax payments from income tax) which they don't get under Federal income tax
 - (4) Circuit-breaker protects retired people and low-income groups from excessive property taxes
 - c. Legislators cannot again, as they did in 1966 and 1972, "duck their responsibility"
2. Property tax rates are unconscionable - 1974 data

	<u>Tax on \$20,000 Home</u>
a. In East Orange, 8.00% of true value	\$1,600
In Millburn, 3.37% of true value	674
In Essex Fells, 3.27% of true value	654

 - b. As a % of income (tax policy committee report, Table S-5, p.54)

Incomes under \$ 5,000 - property taxes are at least 10% of income

Incomes over 25,000 - property taxes are less than 3% of income
3. A graduated income tax, like that proposed by Governor Byrne, will
 - a. Greatly reduce the present regressivity of New Jersey Tax system
 - b. Put a 3rd leg (personal income) under the present tax structure -

Communist Party, 1000

P.O. Box 297

Newark, N.J. 07101

East Orange, New Jersey

June 19, 1974

Members of the Committee, Ladies and Gentlemen of the Press, Victims of the
unjust tax system of New Jersey

The Communist Party of New Jersey is here to testify in behalf of the poor, the
underpaid and the overtaxed.

Let us start by first challenging the constitutionality and legality of these
hearings. There can be no legal hearings on any legislative proposal, where that
proposal has not first been circularized in its true form among the constituency
affected. No such circularization or availability of the so-called tax proposals
before this committee has been made to the general public. Any claims by any member
of this committee or any other representative of government in this state, that, all
any interested party had to do was go to the State Capitol in Trenton to secure
copies of the proposed taxes is dubious at best. Nor can there be any legal or
constitutional consideration of any proposed legislation in this State by any
legislative committee of the Senate or Assembly without the hearings on those
proposals being held in the main centers of population. To hold hearings out of
the reach of the masses of taxpayers is tantamount to taxation without representation.
Nor can we accept any specious argument that those denied access to the hearings
are otherwise represented through the elective process.

In view of these circumstances the Communist Party of New Jersey will investigate
the possibility of every legal procedure to block any new tax burdens placed on the
poor and the working people in this state resulting from these hearings.

I am reminded of the founding fathers of our country, one of whose words echo
in this chamber "Taxation without representation is tyranny." We don't need the
watergate tyranny of the White House in the State House of New Jersey.

We urge this committee to take this burning question to the people. Let the
people be heard. We call upon you to hold open hearings in every county seat in
the State.

Now to the question of who pays the taxes in New Jersey, who doesn't pay the taxes
in New Jersey, and who should pay the taxes in New Jersey.

The working people pay the bulk of the state's taxes. Families that earn
only \$3,000 per year pay 19% of their income in state taxes. Families that earn
\$50,000 pay less than 5%. With this in mind the Communist Party of New Jersey
proposes a fair, just and equitable tax program for all the people of New Jersey.

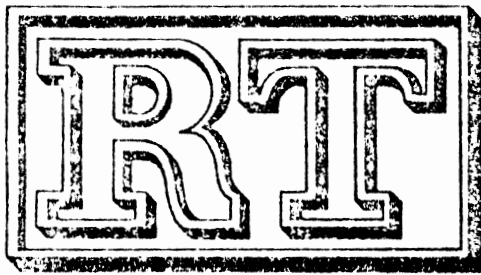
We propose:

1. That the New Jersey federal legislative delegation as a body introduce
and begin a massive campaign in Congress for the enactment of a Federal
Excess Profits tax on the corporations. Monies raised from these taxes are
to be returned to the states to build homes, hospitals, schools, etc.
2. Abolish the sales tax -- enact a constitutional amendment making such a
law permanent.

3. Abolish property taxes on owner-occupied one and two family dwellings. Tax savings to be shared with tenants.
4. Enact a state income tax.
 - a. Exempt all incomes under \$15,000 a year.
 - b. To be sharply graduated above \$30,000
5. Increase the tax on corporations from the present rate of 4.25% to at least the 19% the poorest residents pay.
6. Double the present inheritance tax on estates over \$100,000.
7. Abolish the corporate tax havens such as Teterboro and Rockleigh.
8. Tax the foundations and the banks — again our Congressional delegation must move in Congress to get enabling legislation passed.
9. Tax the Port Authority facilities such as bridges, airports, etc.
10. A uniform statewide taxation of all income producing property.
11. Abolish the gasoline and beer taxes.
12. Tax presently exempted church properties except for schools and church edifices.
13. Abolish worker contributions to the State Unemployment Insurance and State Disability Insurance.
14. Absolute tax on any employer that moves out of New Jersey to another location.

One need only look at the mounting profits of the rich corporations and the mounting debt and poverty of the working people between whom are sandwiched the middle income people whose homes and whose belongings are in jeopardy to realize that the only solution for the ills that plague our cities, our decaying schools, our crumbling transit system and our polluted environment is to adopt the tax program as proposed by the Communist Party of New Jersey. We are sure that this program has the backing of the poor, the overtaxed working and middle income people of New Jersey. It is time the State Legislature and the Governor saw things from the people's point of view rather than the corporation's.

Submitted before the Taxation Committee of the Assembly and the
Revenue, Finance and Appropriations Committee of the Senate



ROCKAWAY TOWNSHIP 19 MT. HOPE ROAD ROCKAWAY, NEW JERSEY 07866

June 19, 1974

To: N. J. Legislature Public Hearing
East Orange Municipal Building
East Orange, N. J.
2 P.M. 6/19/74

From: F. E. McCudden - Director of Finance
Representing Robert Galdon - Mayor

Re: New Income Tax Proposals.

Two Phases

I. Questions

II. Some suggested controls

I. Questions:

A) When will all factors of the monies to be required be made public,
ie, Schools, Courts, Welfare?

1. Reason: The present sources for this money is either
Municipal or County Taxes (raised by Municipalities). In order for a
Municipality to measure the impact on present property tax effect, these
items must be known. Similar to published table equalizing educational
costs.

B) Will all budget figures being discussed include factors such as
Funded Debt; Statutory Costs; Capital Improvements and Reserves for
Uncollected Debt?

Reason: Press releases indicate a ^{INCREASE OF} 6% ceiling on Municipal Budgets. If this is simply Municipal operations of Salaries and Wages and Other Expenses, this presents one type of problem.

If this percentage limitation is on the total Municipal Budget including the items mentioned above, it presents a problem much more serious than above.

One could not offer constructive suggestions to any committee unless the terms are precisely known.

C) Will interested parties be given an opportunity to testify before the Legislature subsequent to the printing of the proposed Bill?

Reason: Many of the problems resulting from the enactment of any law could be minimized by considering the objections of people currently handling the problems of Property Taxes ie, Elected and appointed officials of the some 560 Municipalities, etc.

II. Some suggested controls (without knowledge of the exact proposed law; just publicity releases and press coverage).

A.) All School Budgets be controlled so that the 50% contribution of the State does not support a pyramid effect of "Spend more-get more support monies".

B) Stipulate a minimum dollars for all School Boards in the two areas of money accumulation:

1. "W" reserves open (Purchase orders open June 30 of any fiscal year)

2. Surplus Monies

These two areas can tend to accumulate dollars sent to the Boards on a 100% basis by the Municipalities (collecting on a 90 - 95% basis).

B) Subject any increase of the State Income Tax percentage of Income Tax Rate to approval on the November Ballot. This is to insure the public reaction to all future increases in the Income Tax Rate. This method is presently utilized in the Ohio City Income Tax Law.

C) Make the combination of Property Tax plus Income Tax costs to the tax payers progressive and not regressive. The present general overview shows this, but the law must be written so that it is timed for "time infinite" and not open to the whims of any future Legislative Body.

D) Fuller disclosure (Similiar to present Municipal & County Budget Publications) by the State on the Disposition of these monies collected by Income Taxes.

Publish once a year all monies collected and their dispersements by line items.

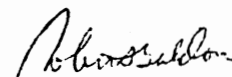
In closing may I add that the general concept of the present proposals seem workable and aimed at being fair, however we must have assurances that the ultimate outcome will be fulfilling the order of the Courts; be fair and equitable to all and easily audited for compliance.

REVENUE SWINDLING MONEY ?

Respectfully,



Francis E. McCudden
Director of Finance



Robert A. Galdon, Maupr
Rockaway Township

DATE DUE

Cal. No. 23-221

