S U M M A R Y

of

ASSEMBLY TAXATION COMMITTEE

Public Hearing on

Governor's Tax Reform Bills

June 2, 1972
Morris County Courthouse
Morristown
Freeholders' Meeting Room

(This summary was prepared by the Division of Legislative Information and Research; it has not been reviewed by the Assembly Taxation Committee.)

ASSEMBLY TAXATION COMMITTEE

MEMBERS PRESENT

ASSEMBLYMAN CHESTER APY, Vice Chairman, presiding
District 5B (Part of Monmouth)

ASSEMBLYMAN WALTER E. FORAN
District 6A (Hunterdon, Part of Mercer)

ASSEMBLYMAN JAMES P. VREELAND
District 10B (Part of Morris)

Also present:

SENATOR WILLIAM E. SCHLUTER
District 6A (Hunterdon, Part of Mercer)
Member, Senate Revenue, Finance and Appropriations Committee

- and -

ASSEMBLYMAN ALBERT W. MERCK
District 10A (Part of Morris)
Member, Assembly Education Committee

ASSEMBLYMAN ANN KLEIN
District 10B (Part of Morris)
Member, Assembly Judiciary Committee

ASSEMBLYMAN JOSEPHINE S. MARGETTS
District 10A (Part of Morris)
Chairman, Assembly Agriculture, Conservation and Natural Resources Committee

LIST OF SPEAKERS

1. William Harrison, Mountain Lakes
2. Assemblyman Albert W. Merck, District 10A (Part of Morris)
3. Mrs. Nina McCall, Mountain Lakes
   President, New Jersey State League of Women Voters
4. Arthur Rifkin
   Treasurer, New Jersey Coalition for the Reordering of Priorities
5. The Reverend Joseph Thomasberger
   Chairman, Taskgroup on Taxation, American Baptist Churches of New Jersey
6. Maynard Franklin
7. James Dowd, Basking Ridge
8. Samuel Wallach
   Representing Florham Park Republican Club (500 families)
9. Assemblyman Ann Klein, District 10B (Part of Morris)
10. Honorable A.R. D'Heedeene
    Township Committeeman, Harding Township
11. Dr. John T. Rice, Mountain Lakes
    Representing Morris County Council of Older Persons
12. Samuel Golub, Netcong
13. Honorable Fred Scocozza
    Mayor, Township of East Hanover
14. Charles W. Fouquet
    Assessor, Parsippany-Troy Hills Township
    President, Morris County Assessors Association
15. Louis C. Pisacane
    Assessor, Town of Boonton

J.H. McCaffrey,
Morris Plains -- submitted a statement (see Appendix) but did not testify.

Mr. Apy: The purpose of these hearings was to learn and to get public reaction, not to sell the Governor's program. Aides of the Governor, the Division of Taxation and the Office of Fiscal Affairs were present for the purpose of answering questions that might come up. There were more than 50 bills before the Committee; also, among the bills forming part of the Governor's program there were two before the Education Committee, which would shortly begin hearings, and four before the Institutions and Welfare Committee. Persons with particular interest in those bills now before other committees should direct their attention to the hearings to be held by those committees.

1. MR. HARRISON, Mountain Lakes

He was generally in support of the program, but would prefer a somewhat higher income tax, lower property tax.

He saw problems in excepting debt service and reserve for uncollected taxes from the proposed statutory limits on local property taxes. It might encourage overuse of bonding in place of pay-as-you-go financing. A municipality at or near its statutory rate limit could increase revenue by deliberately understating its anticipated rate of tax collections.

A $0.75 local purpose rate would be "more realistic" than the proposed $1.50.

The limits on local property taxation should have the same constitutional guarantee as the proposed State school tax limit.

There was a discrepancy between the $1.00 uniform State tax for schools and published figures showing some municipalities would have less than $1.00 total tax rates under the program.

Mr. Heaney*: Many sets of figures had been published, and some were inaccurate. A sampling of the effects on the tax rate had been done by the Department of Community Affairs, but there had been no complete computation for all municipalities.

Senator Schluter: The figures cited by Mr. Harrison were accurate in respect of the program proposed by the Tax Policy Committee, but did not reflect changes made by the Governor in his May 18, 1972 proposal.

2. ASSEMBLYMAN MERCK**

He supported the TPC recommendations, with conditions.

These were far-reaching proposals; the Legislature should not take precipitate action under the schedule which had been set for passage by July 4.

We must make sure we get the public confidence and agreement that they want to spend these large amounts, that the funds will be spent for what we want, and effectively.

The Legislature's own staff should make a study and project anticipated revenues and spending under this program for about the next 5 years.

A citizens' committee should be set up to work through the summer. The committee should be composed of persons not experts "except on the effects it will have on them", and should advise the Legislature on spending priorities.

His support was conditioned on a hard-working, summer-long study of the effects.

---

*Assistant Counsel to the Governor
**For prepared statement, see Appendix.

The TPC's projections of future spending and deficits were purely statistical and envisaged no change in priorities.

Mr. Merck was then questioned by the Committee.

His suggested citizens' committee would study priorities and make "value judgments which transcend the expertise."

He felt the citizens had no confidence that the program, after the first year, would not lead to an increased tax burden. The TPC report was based on the assumption that a lot of new money would be needed even without new categories of spending. There was serious question whether the public would believe that the program is merely a redistribution of the tax burden. The Legislature should project a budget for five years, including future tax rate increases assumed to be necessary.

3. MRS. MC CALL, Mountain Lakes, President N.J. State League of Women Voters

She was testifying not as President of the League of Women Voters, but as a resident of Morris County. The League would make a formal presentation later.

There was much resistance to the program in Morris County.

The program would redress inequities. There would be benefits to the homeowner, the renter and families with college students. We were all potential beneficiaries -- even those who would be paying higher taxes -- since all were liable to grow old, to have children or to lose or change jobs, or experience other changes in economic circumstances.

The overall tax rate would drop in 30 of the 39 Morris County municipalities, and the majority of people in the county would pay less when the tax was based on ability to pay.

The income tax was the only tax that could produce sufficient revenue to replace the property tax.

The Legislature should "do the job" before the end of July, so the necessary referenda could be held in November. The subject had received sufficient study.

The Legislature under this program would be placed in a position of greater responsibility for raising the money for costs which it mandates for counties and municipalities.

Mrs. McCall was then questioned by the Committee.

Her information on projected tax rates in Morris came from a print-out done by Mr. Harrison. It would be made available to the Committee.

4. MR. RIFKIN,* Treasurer, New Jersey Coalition for the Reordering of Priorities

He supported the Governor's program.

The property tax bore too heavily on those least able to pay.

His organization prefers an income tax at double the proposed rates (i.e., at approx. 2% - 14% range) to raise $1.1-billion and eliminate the need for the State property tax for schools.

The income tax is fairer, more productive, grows with population growth and economic growth, and permits adjustment to family

*For prepared statement, see appendix.

circumstances. The Governor blunted the effect of his program by not relying more on the income tax.

Despite this, his organization favored the program as a whole. The Governor had provided a deduction and exemption structure which aids those of low income; had provided relief for renters, and had devised a means for preventing "excess gains" to business.

5. REVEREND MR. THOMASBERGER*, Chairman, Taskgroup on Taxation
American Baptist Churches of New Jersey

It was imperative that the regressive burden of the property tax be relieved -- this year. Poor people -- especially senior citizens -- were being taxed out of their homes, and needed this kind of relief now.

The "feeling" of the hearings and meetings of his "Taskgroup" was that this program is necessary. The Taskgroup had recommended that the American Baptist Church associate itself with the positon of the Coalition for the Reordering of Priorities.

6. MR. MAYNARD FRANKLIN

The average citizen didn't even know when these hearings were being held. They should be advertised.

MR. APY: That is a darn good idea.

Mr. Franklin had some questions for the Committee:

MR. FORAN: Such dedication is unconstitutional at the present time.

MR. APY: There was no such recommendation in the present bills.

MR. FRANKLIN: There had been mention in the press that local taxes would be reduced by 40%. Taxes now varied considerably in munici-

*For prepared statement, see appendix.

palities. Where was the differential coming from?

Mr. Apy: 40% was the overall Statewide figure. The difference would come from the State's taking over a larger portion of costs for which taxes are now raised locally.

7. MR. JAMES DOWD, Basking Ridge

He agreed with the essence of the program; but, as a dryclearner, he objected to the feature which would remove sales tax exemption from laundry and drycleaning services. This was a "faltering industry" because of economic conditions and the increased use of "easy-care garments".

Mr. Apy: The program projected $12.8-million revenue from "this one little item." This was a relatively small portion; but if you take one thing out, something else has to go in. You are our second witness on this point.

8. MR. SAMUEL WALLACH, Representing Florham Park Republican Club (500 families)

He read a resolution passed May 15 by the Florham Park Republican Club, opposing the program, and making the following points with regard to it:

1. It promises relief "for the short term only".

2. History contradicts the premise that the revenue gap will be closed in this way.

3. States with similar tax structures have not had success in closing the revenue gap.

4. It provides no guarantee of equalizing educational opportunity, which cannot be measured in dollars alone.

5. It would undermine the effectiveness of local government.

6. There is no provision for improvement in controlling government spending.

7. The property tax formula is completely inequitable.

Mr. Wallach was then questioned by the Committee.

He said the projected effect of the program on Florham Park would reduce the property tax from $7.79 to $6.64 per $100.00.

He did not feel the program met requirements of the Botter decision, since it left school capital construction still a local responsiblity.

He was not prepared to make any comprehensive recommendation for a program to meet the Botter criteria; but those recommendations which had been made were inequitable.

The citizens he had met were all of the opinion that government is most efficient and responsive at the local level. Wherever a higher level controls or mandates, the citizens lost their voice to some extent.

It was true that State assumption of responsibility for financing county court and welfare costs now mandated by the State would be "more realistic"; but there was a feeling that the State should not be mandating these expenditures in the first place. At the local municipal level -- when education is excluded -- the program would apparently cause no changes in home rule.

Some of the objections cited in the May 15 resolution of the Florham Park Republican Club had been taken care of by the modifications made by the Governor in presenting his program on May 18. But not all.

Mr. Apy: In our constitutional system, the power of government was in the State, and municipalities got their powers by delegation from the State. Historically, there had been much such delegation in New Jersey. This program recognized that welfare, for example, was more properly a State responsibility; in turn, the State had turned to the Federal government. Modern conditions required that certain responsibilities which had traditionally been at the local level be moved.

Mr. Wallach: Shifting of the welfare burden did not constitute reform of the welfare system.

He would guess that the membership of his organization would subscribe to the proposition that property taxes in New Jersey are "spiraling" -- but would not go to the extent of saying they are "out of control."

He would say that his organization would probably concede "in theory" that "the income tax is essentially a fairer kind of tax." But this question had to be considered along with the rest that went with it in the entire proposed program.

9. ASSEMBLYMAN KLEIN

We had to compare what we were proposing with what we had now.

Referring to the table on p. 4 of the Summary Volume of the TPC Report: it was evident that the present system of taxation was not related to the taxpayer's ability to pay as measured by income.

The TPC proposal did not provide for a "progressive" tax structure, but only for a "flat" structure -- everyone paying roughly the same proportion of his income.

An advantage of the income tax was that it would permit deduction from Federal income tax -- thus a greater retention of New Jersey-generated revenue in New Jersey.

The Governor by his modifications to the TPC proposals had overcome many of her original objections, as a member of the TPC, to the report submitted by the TPC.

She had two recommendations:

1. She did not approve of the State property tax; though preferable to the local tax, it was a terrible tax under the best of circumstances. She would prefer higher income tax rates. Most of the TPC members had felt higher income tax rates would not have been politically feasible to propose.

2. She was disappointed that the Governor didn't suggest changes in the income tax rates. The highest rate should be reached on about a $100,000.00 income, rather than $500,000.00.

Mrs. Klein was then questioned by the Committee.

As to the possibility of future increase in taxes:

It was necessary that a hard look be taken at priorities. There should be more control over budgeting. There was a great advantage in the elasticity of the income tax, which can produce growing revenue without increases in rates. If there should be no income tax, and costs continued to rise, the property tax spiral could "destroy us."

She agreed that, in contrast with the "elasticity" of the income tax, the property tax had the virtue of "stability". This was an argument in favor of retaining some part of the property tax.

But New Jersey had not heretofore had any elasticity. She did not recommend that the committee postpone action on this program for futher study. Her recommendation for scrutiny of priorities was a "separate issue". The Legislature should have a more active part in the budget-making process.

She was sure that the Botter decision would be upheld, and the State would have to come up with a new/ plan -- though not necessarily its implementation -- for financing of school costs before January 1, 1973, or else there would be the possibility of a complete cutoff of State school aid.

Mr. Vreeland: There was a strong possibility that this deadline would be extended as a result of a pending appeal.

10. MR. A. R. D'HEEDEENE, Township Committeeman, Harding Township

The Harding Township Committee have studied the program and have prepared a letter of comment. He would review the highlights of their thinking here:

1. There is a strong impression that this is a "tax increase" rather than "tax reform" program.

2. They are concerned about the rapid tax increase projected for the township. There is need for a "very thorough look" at the priorities of State spending.

3. For the State to collect revenue from the localities, only to send it back, is expected to create inefficiency. An increase of State aid to education for purposes of equalization could be more effectively done by other means, such as modifications in the existing aid program.

At the request of Mr. Foran, Mr. Harold Leib of the Division of Taxation explained the projected machinery for handling the collection and redistribution of the proposed State property tax. It would use basically the same machinery now involved in distributing State aid. Volume would increase, but it was not expected that there would be much increase in structure or costs. The $1.00 tax would be collected at the local level and remitted to the State -- involving 567 checks 4 times a year.

Mr. Apy: The Division of Taxation had been asked to reexamine this matter. Could more of the administration be advantageously left at the local level?

Mr. D'Heedeene agreed that there was room for considerable improvement in methods of assessment now in use.

The Harding Township Committee had taken a position in opposition to the tax reform program.

The Committee then recessed for luncheon.

11. Dr. John T. Rice, Mountain Lakes, Representing Morris County Council of Older Persons

Because of lack of advance notice, he was not fully prepared to make a presentation. His organization had not yet taken a position on the Governor's program.

Many older persons were "quietly very desperate" over the tax situation -- especially the school tax -- and would welcome tax relief (including relief for those who rent).

The proposed State education tax appeared to be an equitable approach. The effect was to take from the more affluent communities and give to the less affluent communities. But there was a "sleeper" in the recommendations: provision was made for a local referendum permitting property taxes to be raised beyond the statutory limit. Thus for individual taxpayers in some communities the proposed tax relief might be illusory.

He urged that more effort be made to publicize these hearings.

Mr. Foran: The program contained a provision to change the senior citizens property tax exemption. There would be an option to take the $160.00 exemption now in effect, or to take a deduction from the income tax.

Dr. Rice: There was a "demeaning" aspect to the senior citizens exemption in the "means test" (income level) used. The majority of older persons did not demand greater benefits, but expected relief from such oppressive burdens as the school tax.

Relief should come now. 1974 would be too late. In the meantime there would be a lot of unnecessary casualties. He suggested a "homestead approach". Another possibility: Perhaps municipalities could be permitted to extend tax relief on a local basis.

His community would save money if it even allowed him to live the rest of his life tax-free in his 15-room home -- which if sold would probably be taken by a family producing 6 to 8 children for the local schools, which have an annual per-pupil cost of $2,500.00.

Mr. Apy: Your presentation has some suggestions which we have not heard before. Please send the Committee an outline of your recommendations.

Mr. Heaney (commenting at Mr. Apy's request on Dr. Rice's remarks):

Under the program's proposals, a senior citizen would get an income tax rebate if the income tax credit exceeded the tax liability. No municipality would be compelled to reduce the amount it was now spending. If a municipality wanted to spend more it would be able to do so by referendum.

Dr. Rice: The sleeper was apparently worse than he had thought it was.

Mr. Apy: Relief from that point of view would be less than at first it might appear. But there would be relief through other aspects of the program.

12. MR. SAMUEL GOLUB, Netcong

This program was nothing but a tax increase, especially for the people in Morris County. The average citizen of Morris County would pay more than he did before.

We should take time to study where the money was going, and how to save it. The main areas of expenditure were schools and welfare -- in Morris, mainly schools.

Other communities (like Newark) had lower per capita costs because school buildings were already paid for. This did not affect the quality of education, insofar as that was measurable by the amount spent on operations.

More emphasis should be placed on ways to save money rather than on ways of getting more.

The big cities' welfare costs were "way out of line" with the rest of the State. Where was the State going to get the money to assume these costs?

The Governor had said savings realized by business in big cities would be an "incentive" for rebuilding the cities. There would actually be an opposite effect: businesses had many other problems in the cities, and would be glad to take the tax savings for the first few years and then leave as soon as they were able.

The Governor wanted to take away from those who had already got out of the cities -- this was not the right way.

Who was going to enforce rent rebates? As a landlord, after paying high taxes all these years, he would pocket the money. You'll need more State employees to enforce the rebates.

Eventually someone would challenge the proposed tax credits for private schooling, and it would meet with disapproval in the courts.

There was no real relief in the program. Every school would have the right to keep the same level of spending as now. They could only do that by continual raising of the property tax.

The sales tax at 3%, its later increase to 5%, and the institution of the State Lottery had all been expected to relieve the property tax, but had not done so.

Mr. Golub was then questioned by the Committee.

As to alternatives to the property tax (other than the Governor's program) for financing schools: Some states permitted municipalities to levy sales taxes -- why not New Jersey? Perhaps the 6 major cities could be empowered to find other sources of revenue.

Mr. Vreeland: The Lottery had not been instituted to relieve the property tax. There were 65,000 students in State and county colleges who were getting subsidy from this source.

Mr. Apy: The problem was to get accurate facts as to this program. Certain factual statements by Mr. Golub revealed some prevalent misinformation.

13. Mayor Fred Scocozza, Township of East Hanover

This plan would not benefit our particular township. He recognized that the TPC and the Governor had attempted to do something good and just for all. Our property tax relief would be quite minimal -- more than overbalanced by the income tax and other aspects of the program.

Gross receipts tax now amounting to $50,000.00 per year would be lost.

The township was now about 45% industrial ratables, which were valuable but did cause problems. We have paid the price for bringing industry in; with everything being made equal, we are not coming out very well.

Mayor Scocozza was then questioned by the Committee.

He could see, in theory, how the gross receipts tax might be considered undesirable; but he had to think of that $50,000.00 from Jersey Central Power & Light.

Mr. Apy: This form of gross receipts tax (on public utilities) would not be completely eliminated, in contrast with the tax on retail businesses and professional men.

Mayor Scocozza said he would think that, on the whole, more money would leave Morris County under this program from taxation than would return by redistribution. This was also the opinion of the majority of the people, he believed.

14. MR. CHARLES W. FOUQUET, Assessor, Parsippany-Troy Township, & President, Morris County Assessors Association

The Morris County Assessors Association had not taken a stand for or against the program. The assessors were mostly concerned about the administrative aspects. They could not tell what was intended; there was a lack of information. The bills had not been made available.

Mr. Fouquet was then questioned by the Committee.

He believed that most assessors would subscribe to the need for improvement in assessing techniques and administration. But he also felt there had been a great deal of overemphasis on the shortcomings of the assessors.

The Association had held off its decision on the program for lack of information. For example, they didn't know how an "assessing district" was to be defined.

In many areas, the assessors felt the Director of the Division of Taxation already had power, without new legislation, to effect some of the reforms envisaged in the program.

The assessors had a "definitely affirmative" reaction to the proposals for revamping the appeals procedure.

15. MR. LOUIS C. PISACANE, Assessor, Town of Boonton

He was speaking for himself, not in his official capacity.

He was interested in the relation of the program to "the industrial community." He would like to see a projection of what industry was going to pay.

Mr. Heaney (commenting at Mr. Apy's request): Any benefit that industry would receive would be considered as "excess profit" -- taxed at 100% for three years from the beginning of the program. During the three years, the Division of Taxation was to study the workings of the program and devise any changes needed. Benefit to industry would occur only in certain municipalities where the average tax rate was 25% more than the State average; there, the excess profit tax would be only 75%.

Mr. Apy: Also, there would be an increase in the corporate income tax. One of the things we were trying to find out was if this theory of taxing the business windfall from property tax reduction was going to work out in practice.

Mr. Pisacane: New Jersey ought not to try to be "competitive" with other states in attracting industry. We didn't need any more industry in this State, from an environmental point of view.

This program provided another dilution of the awareness of the commercial and industrial establishments' share of operating local government.

Mr. Apy While we might not need to compete with other states regarding tax attractions to industry, we had to realize that what other states were doing was going to affect what income New Jersey might receive from any particular tax measure.

The hearing then adjourned.

Honorable Eugene J. Bedell
Tax Committee Chairman
The New Jersey Assembly
Trenton, New Jersey

Dear Mr. Bedell:

By material published in the Star-Ledger (Newark, 5/23), I have learned that the committee which you serve as chairman "will conduct eight morning and evening public hearings on Governor William T. Cahill's tax reform package during the next two weeks".

Other material published by the Herald-News (Passaic, 5/23) contained the following statements:

> The Education Committee is also scheduled to hold hearings, but its dates have not yet been announced.
> The committee fears it will have to limit talking time at the hearings. It believes a great many people will insist on being heard.

Whichever "committee" the author of the article in the Herald-News had in mind in mention of "fears" on the part of committee members, it should be encouraging to Governor Cahill to have some idea that "a great many people" may at least seek to be heard, if, indeed, it is beyond them to "insist on being heard".

As a layman who holds no elective or appointive office, a private citizen who holds no position in any organization, I am for all that a citizen-taxpayer, and would be one of the former, one among the "great many people" who desire and seek to express their views, so that the Legislature may have the broadest possible base from which to address itself to the legislative proposals Mr. Cahill has made.

My interest as such layman and citizen-taxpayer stems from nearly a decade of direct and intense interest in the financial structure of the secular education made compulsory by statutory law, incident to statements made by Honorable Richard J. Hughes on November 9, 1962, in an Atlantic City address to convened members of the New Jersey Education Association, a copy of which was graciouusly supplied to me by Mr. Hughes, in acknowledging receipt of a letter written to him by me on November 12, 1962.

That address contained the following statement: "While the public generally is receptive to plans for better education for our children, it develops a certain reluctance when confronted with the cost."

You may by now be aware that "certain reluctance" of such sort has surfaced here in Morris County incident to certain provisions of the legislative proposals.

On November 9, 1962, nearly a decade ago, Mr. Hughes also stated, "The people, I am convinced, wish to be just, certainly to education, for they know the meaning of education and its pledge to the future."

It is my sincere and humble belief that "reluctance" to "cost" could for the most part be dispelled if the "concept of justice" mentioned by Mr. Hughes in that talk could finally come to know the "demonstration" mentioned by Mr. Hughes in the same talk and in the same context, "the needs of education" and "its enormous cost".

Such would be my desire and purpose if accorded opportunity to testify, effort to demonstrate the relationship between purpose and cost in seeking to gain acceptance for any legislative proposal involving a levy of tax in the process.

It is also my since and humble belief that the legislative proposals made by Mr. Cahill are among the most far-reaching the residents of New Jersey have ever been called upon to consider, and that on this score, the legislature should have "the broadest possible base from which to address itself to the legislative proposals.

The "shortage of time" mentioned in the article published by The Star-Ledger thus enters the picture. This, for instance, is the earliest I have been able to tend to the matter of writing to anyone regarding request for opportunity to testify, mainly because no publicity accorded to the hearing that I have seen has said to whom request for opportunity to testify should be addressed. It is only by searching through various newspapers at the library that I learned you serve as the chairman of one of the committees that will conduct hearings.

In that article in The Star-Ledger, accordingly, it was good to see the following statement: "Bedell said the public will be welcome at these meetings, although they are aimed mainly at providing a forum for business and local government."

My only observation regarding the statement quoted from

My only observation regarding the statement quoted from the Star-Ledger would be that it is neither "business" nor "local government" but the public at large which elects the Legislature as its representatives looking to "government of the people, by the people, for the people", quoting from what was said at the dedication of the military cemetery at Gettysburg nearly a century ago, November 19, 1863, statements that have been more than "little note(d)" and have already been "long remember(ed)".

Because I believe the relationship between "cost" and "purpose" to be so important in seeking acceptance for legislative proposals of this sort, and becuase with their acceptance, expenditures for education would in all certainty constitute the greatest, major portion of the State budget, it would be of no concern to me whether I were accorded opportunity to testify before your committee or the Education Committee.

On this basis, I will be presuming on your willingness to allow me to share a copy of this letter to you with Mr. Cahill, well aware of my interest in the matter through correspondence with him during his time in office to this point, so that he may know of my desire to reward his initiative and good will in the matter with whatever support looking to acceptance I could provide.

On this basis also, I will likewise be presuming on your willingness to allow me to share a copy of this letter to you with the senior member of the New Jersey Assembly from Morris County. Honorable Josephine S. Margetts, who in my experience has shown herself to be highly and commendably responsive to constituent expression of interest, with the implicit request that she make my interest in the hearings to be conducted by the Education Committee known to the chairman of that committee, unknown to me as of this writing.

Respectfully,

J. B. MC CAFFREY
10 Littleton Road
Morris Plains, New Jersey

NEW JERSEY STATE ASSEMBLY COMMITTEE ON TAXATION

STATEMENT OF THE NEW JERSEY COALITION FOR THE REORDERING OF PRIORITIES

My name is Arthur Rifkin. I am Treasurer of the New Jersey Coalition for the Reordering of Priorities. Professionally, I am Assistant Director of the American Jewish Committee, New Jersey Area, Newark, New Jersey. AJC is a nationwide human relations agency concerned primarily with assuring security, equal opportunity and dignity for Jews within the framework of security, equal opportunity and dignity for all.

Governor Cahill's current legislative proposals for reform of the State's tax structure are economically feasible; offer the possibility of timely passage by the Legislature; would provide needed fiscal resources to meet pressing needs for State and local services; would significantly diminish the regressivity of the State's tax structure; and would ease the tax burden on lower and middle income taxpayers.

The above statement summarizes, in general, the position of the New Jersey Coalition for the Reordering of Priorities and in general supports the Governor's proposals. Tax reform and tax relief is the Coalition's first priority.

The Coalition is a broad-based gathering of representatives from a variety of organizations - religious and secular - which have been dealing with crucial social issues for several years. The list of representatives includes leaders of a number of New Jersey labor unions, statewide voluntary associations, community groups, and other agencies, and faculty members and students of several New Jersey public and private colleges. The constituency within these organizations include a large body of working-class low and low-middle income citizens. This group of property owners and wage earners have been hit hardest and bear the heaviest burden by our present method of taxation. The Coalition does not claim to officially represent all of its constituent organizations.

The Coalition agrees with the New Jersey Tax Policy Committee that the State and local property tax burden bears most heavily on those least able to pay. The tax structure is regressive. In effect it taxes the lowerst income group at the highest rate, and each successively higher income group at a successively lower rate.

The Coalition favors a progressive and adequate level of taxation which will enable the State to meet its increasing obligations for the health, welfare, safety, transportation, and education of its citizens. The Coalition opposes the regressive features of our presently inadequate tax system. The current system imposes economic hardship on lower income families, wage earners, and senior citizens - and an unfair tax burden on four-fifths of the State's taxpayers.

The Coalition favors a graduated personal income tax over other forms of citizen taxation. We have proposed a 2 to 14% rate, modeled on the New York State pattern, which would raise $110 billion in New Jersey annually, and eliminate the need for a new State property tax, as proposed by the Governor. An adequate progressive income tax would grow with the economy, and insure that regressive property and nuisance taxes do not continue to escalate. The Coalition supports a graduated personal income tax over other forms of citizen taxation because:

a. it is fairer, its rate increasing with the taxpayer's increased ability to pay;

b. it is more productive. At the rate of 2 to 14% it would produce revenue to equal the cost of State assumption of local welfare and school operating costs;

c. it grows with the annual increase in population and income levels, making the yearly levy of new taxes unnecessary;

d. it allows for differences in individual circumstances, such as size of family, high medical expenses, extraordinary financial losses, and commuter taxes paid to neighboring states;

e. it balances the State's regressive tax structure by replacing 62% of the property tax, and by making in unnecessary to raise the sales tax and other regressive nuisance taxes which bear most heavily on larger families wage earners, and lower income groups.

The Governor has blunted the progressive effects of his income tax proposal by recommending a basic rate of 1 to 7%. As a result the State fails far short of the revenues needed for the proposed state takeover of the costs of education, welfare, and the judiciary. Thus the Governor has had to propose a regressive statewide property tax of $1 per $100 of value.

The Coalition opposes a State property tax on dwellings. Such a tax has the same faults that cause us to condemn local property taxation. Under the present system, property taxes exact an effective rate of 14.2% on incomes under $3000, declining regressively to 2.9% of incomes over $25000. Property taxes make no allowance for size of family, financial hardship, age, disability, etc. And property taxes are relatively inelastic. Revenue continues to lag behind growing fiscal needs. A large measure of property tax growth which does occur is due solely to inflation of property values and annual increases in rates.

Despite the Coalition's differences with some of the Governor's proposals, it favors his recommendations for basic, fundamental changes in the state's tax structure by introducing a system that would seriously reduce reliance upon the unjust and regressive local property tax along with a statewide income tax based upon ability to pay. His proposal goes a long way to assist lower income families by exempting incomes under $5000 from taxation, and by allowing a straight $15 tax credit for each dependent - a decided improvement over the Federal dependency allowance.

In addition, the Governor's bill recognizes the claims of the rent-payer. The Coalition endoreses the Governor's proposal to permit the rent-payer to use the tax portion of his rent as a deduction from his gross income. It further endorses the Governor's proposal for a renter's income tax credit, to enable the renter to recapture 75% of his landlord's

Assemblyman Albert W. Merck
Corey Lane
Mendham, N. J. 07945

Press Release
May 31, 1972
A725

For Use: Thursday
June 1, 1972 (A.M.)
Further Information
(and actuality tape):
543-4694

Merck Advocates Five Year Spending Budget

A legislative study of state government spending to produce a five year spending budget was called for today by Assemblyman Albert W. Merck (R, Dist. 10-A).

"I support the recommendations of the Sears Tax Policy Committee," Merck emphasized, "but I cannot vote in a few short weeks on these changes in state financing without first obtaining a clear understanding of what we are spending this money for."

Merck said the purpose of the Sears Committee was only to find a new means of funding state programs. "It is now the obligation of the state legislature to examine carefully the programs that the new money will fund.

"There is no point in drastically altering our whole tax structure in an effort to reform it without also making sure first that we want to spend these enormous additional amounts; second that the money is for things we want, and lastly that it is to be spent effectively."

The Assemblyman noted "Even Governor Cahill has referred to the tax proposals as having 'the most far-reaching effect of any (issue) that the citizens of New Jersey can expect to face in this generation.' Cahill's own recommendations for changes in the Sears report were made after he studied the report for three months."

More

Merck said the legislature should authorize its staff to project future major spending by aggregate amounts along with the tax increases necessary for the next five years.

"The five year budget should include both projected dollar expenditures and estimates of the required tax rate increases.

"Their work should be coordinated with a citizens committee to advise on spending priorities. They can work through the summer and present their recommendations to the Legislature in the fall," Merck said.

"The citizens committee would be comprised of a cross section of the general public - the people who will ultimately be called upon to pay the bill for state spending in any case," Merck said. The expertise would be supplied by the Office of Fiscal Affairs which is under the control of the Legislature.

"It is necessary to obtain a more definite understanding of what the public wishes to sponsor in the way of state supported efforts before undertaking to rearrange the tax base of the state".

Merck said he would not be hastened into, before the fourth of July, voting for the Sears recommendations as represented by the more than 50 bills just received by the Legislature.

"My support of the Sears recommendations is conditional on a hard-working, summer-long look at future spending. After all, we spent a quarter of a million dollars and two years coming up with the Sears report. I believe we owe the public more than a few public hearings, AND A hasty legislative session on these proposed changes."

More

Marck said his concern stems from the Sears report's figures showing a state and local revenue deficit of $316 million in 1975 (assuming a three percent inflation rate). "This figure is projected to soar to $1.012 billion by 1980 -- just seven short years away. That's an amount equal to half our entire current budget.

"These figures clearly underscore the importance of obtaining a consensus on what we are going to spend our resources on during the coming years. There will be no adverse effect on the Sears recommendations if we wait until the fall to vote on them. We must not be stampeded into doing it by July 4," Marck concluded.

NEW JERSEY COALITION FOR THE REORDERING OF PRIORITIES

375 MURRAY HILL PARKWAY, EAST RUTHERFORD, NEW JERSEY 07073 • (201) 933-9494

Executive Committee

Chairman
ARCHER COLE
International Union of Electrical Workers District 3

Co-Chairman
RUTH FORD
League of Women Voters

Secretary
MYRTLE GALLAGHER
Retail Clerks Local 21 RCIA

Treasurer
ARTHUR RIFKIN
American Jewish Committee

DAVID ANTEBI
Social Action Center Rutgers University Graduate School of Social Work

GERTRUDE ASINOF
American Jewish Committee

JAMES CUNDARI
North Ward Education and Cultural Center

NORMAN EIGER
Rutgers University Labor Education Center

DOROTHY ELDRIDGE
New Jersey SANE

DON ESHELMAN
North Ward Education and Cultural Center

REV. HORACE HUNT
Metropolitan Ecumenical Ministry

REINHOLD KISSNER
New Jersey Layman's Association

MARY NISCHWITZ
Church Women United

JOHN PROTO
N. J. Industrial Union Council, AFL-CIO

DUDLEY SARFATY
Presbytery Synod of New Jersey Committee on Church and Race

JOHN STOCHAZ
Consumers League of New Jersey

REV. JOSEPH THOMASBERGER
New Jersey Council of Churches

NEL VAN DIJK
National Organization of Women, Union County

JAMES VARNER
Morris County Economic Opportunity Council

MAURICE VENERI
N. J. Industrial Union Council

CONNIE WOODRUFF
Int'l Ladies Garment Workers Union, Eastern Region

AL WURF
American Federation of State, County & Municipal Employees, District 1

(Organizations listed for identification purposes only.)

Dear Sir:

The following statement represents the official position of the New Jersey Coalition for the Reordering of Priorities. This coalition is a statewide organization which has been studying the tax system in New Jersey for over a year. Our membership, which consists of labor, religious, civil rights, peace, professional and community action groups, has concluded that tax reform is essential so that the state could begin to deal adequately with the problems of education, housing, welfare, the environment and other social ills.

We support Governor Cahill's recommendations for a broad based income tax, as well as state assumption of all local costs of education, welfare and the judiciary. However, we feel our own recommendations provide an even more progressive program.

Enclosed you will find a copy of our program which we hope will help you and your colleagues in your deliberations to arrive at an equitable, non-regressive, elastic tax reform package this year.

The Coalition stands ready to support your efforts in moving for tax reform legislation.

Sincerely yours,

Archer Cole

Archer Cole
Chairman

Arthur Rifkin

Encl.
AC:dc

windfall tax saving, including a rebate from the State where the credit exceeds the amount of the tax.

The Coalition feels that the three-year limit on the windfall tax credit, which the Governor has proposed, is an adequate length of time to enable the Legislature to enact long-term relief from rent-gouging in urban areas affected by a shortage of proper and decent housing. The Coalition favors proposals advanced in the Kean Bill, which would tie rents to the Consumer Price Index, and allow for the prorating of capital improvements.

Finally, the Coalition supports the Governor's proposals for recapturing excess gains in business taxes due to the sudden reduction of local property taxes. The Coalition recognizes that present level of business taxation in New Jersey is competitive with that of most other states.

In conclusion, the Coalition believes there is urgent need for timely and constructive action by the Legislature to shift the tax burden from homeowners, renters, and consumers paying more than their fair share under the present tax structure, to a more equitable graduated personal income tax based on ability to pay. Up to now, high income people have <u>not</u> been carrying their fair share of the tax burden. Such a shift, even so modest a shift as proposed by the Governor, would benefit four-fifths of the State's taxpayers, now in the under-$15000 income groups, and provide the tax base needed for New Jersey to finance current and future government services.

June 2, 1972

NEW JERSEY COALITION FOR THE REORDERING OF PRIORITIES
375 Murray Hill Parkway
East Rutherford, New Jersey 07073
Telephone: 201 933-9494

February 1972

A PROGRAM FOR PROGRESSIVE AND EQUITABLE TAXATION

New Jersey Coalition for the Reordering of Priorities

The New Jersey Coalition for the Reordering of Priorities, after months of study of the problems facing communities of this state, has concluded that its NUMBER ONE PRIORITY will be state-wide tax reform, with special emphasis on alleviating the many ills surrounding the regressive property tax.

In seeking out a source of revenue to replace a major portion of the income now derived from the property tax, the Coalition has found that a state graduated income tax is the most equitable form of taxation, and that a campaign for its adoption should be launched to coincide with the release of the report of Governor Cahill's Tax Policy Committee, which is scheduled for February 1972. The recent decision of the New Jersey Superior Court has pointed to the end of the use of local property taxes as the major support of education and further stressed the need for tax reform and the Legislature's responsibility for "a thorough and efficient system of free public schools" in every district.

Inequities of the Property Tax

- Property taxes collected in New Jersey are second highest among the fifty states per capita. By comparison, New York State ranks fourth and Pennsylvania, thirty-fourth.

- Fifty-six percent of all tax revenues raised in our state is derived from the property tax. The national average is 40% (see Appendix V). The New Jersey per capita tax levy was $261, for each man, woman, and child in 1970 (the latest date for which audited figures are available) and is sure to be much higher today.

- The property tax is undoubtedly the most regressive tax of all, in that those least able to pay bear a far heavier burden than the most affluent. For example: New Jersey families with incomes of less than $5,000 per year pay an average of 13% of their net incomes for property taxes, while all families with incomes over $25,000 pay an average of only 4%.

- Almost 70% of the costs of local schools is derived from the property tax. As a result, close to half of the school budgets throughout the state are defeated in the annual referendums voted on each February to raise school funds. Local taxpayers are finding it almost impossible to meet the outlandishly high rates existing in many communities and take it out on the education budget. This has led to a deterioration of the public school system in many communities at a time when upgrading of education is essential.

- The property tax has multiplied the ills of our society by bringing about the exodus of industry and middle-income families from our cities, thus further eroding the tax base in urban areas and making mandatory a still greater reliance on the already confiscatory property tax.

- New Jersey's old cities, as a class, have the highest property tax rates among all the municipalities. Newark's equalized property tax rate in 1971 was $6.39 per $100 of true value. Camden's was $5.76; Jersey City's was $6.40; and Paterson's was $5.23. Industry looking to locate in New Jersey opts for communities with substantially lower tax rates, while established industries leave the cities for greener suburban pastures.

Newark has an unemployment rate of over 13%; Jersey City 10.5%; and Camden, close to 15%. This will worsen unless something is done to alleviate the burden of the property tax.

- Suburban communities are offering incentives for industries to flee the cities, one of the greatest being lower tax rates. In contrast to Camden's $5.76 tax rate, nearby Cherry Hill's is $4.20; Mahwah's $2.43; and Teterboro's 56¢.

Acquiring a substantial industrial base, these suburban communities can provide superior education and other municipal services. However, such communities to an increasing extent zone for industrial ratables and large-lot, expensive homes and apartments to minimize the need for costly services such as education and maximize property tax revenue. By requiring a one-family house to be built on an acre of land, as in the case of Mahwah, practically all of the 3,000 employees at the Ford Motor Company are financially unable to live in the area where they work and are forced to pay a substantial portion of their wages for transportation, along with the inconvenience of traveling great distances on clogged highways.

- The property tax has been especially cruel in its effects on senior citizens whose incomes are fixed at the very modest levels provided by Social Security and employer pension plans. Many cannot meet the annual hikes in property taxes and suffer the loss of their homes or great privation and poverty.

The property tax is thus one of the contributing forces to a vicious cycle of high tax rates in the cities; plants moving out and high unemployment; forcing tax rates up still higher for deteriorating education and facilities; escalating welfare, police, fire, and other costs.

Shifting the Responsibility

To help deal with these problems will require the elimination of the property tax as our major source of revenue in New Jersey and the enactment of a graduated state income tax. By having the state assume the total cost of education now borne by local communities and welfare costs, it will be possible to effect a very substantial reduction in local property taxes. This will retard the disastrous growth in property tax levies we have experienced during the past 10 years and is basic to any tax reform in New Jersey. *(see Appendix I.)*

WHY THE COALITION SUPPORTS A GRADUATED PERSONAL NET INCOME TAX FOR N.J.

AN INCOME TAX IS PRODUCTIVE: A 2% to 14% graduated net income tax would yield over $1 billion. This yield, together with the recoupment of corporation property tax reduction, would be adequate to allow the state to take over all local public school and welfare costs.

AN INCOME TAX RETAINS FEDERAL MONEY (INSTANT REVENUE SHARING): Because of deductions on federal income taxes, it would cost New Jersey citizens only $735 million to raise over $1 billion for the state by an income tax. Thus $265 million would be retained from the federal government. An income tax retains far more in this way than does a sales tax of comparable yield because the major part of a sales tax is paid by families in the lower income brackets who pay taxes at lower rates and do not usually itemize their federal tax deductions.

AN INCOME TAX GROWS WITH THE ECONOMY: The rate of growth of the yield of a graduated income tax exceeds the rate of growth of income because much of the increase in income occurs at the higher income levels. A growth tax is what New Jersey needs in order to face increasing population growth and the needs of the "most urban" state. A good growth tax makes constant levying of new taxes unnecessary. It was estimated in 1964 that a 2%-14% income tax for New Jersey would yield $420 million. Today, estimates for the same tax are over $1 billion!

AN INCOME TAX IS FAIRER: A graduated net income tax is based on ability to pay and not on the necessity to spend, as is a sales tax. A 2% to 14% income tax could provide more than a 50% property tax replacement, with a net saving to most families. An income tax would reach those who have never paid their fair share.

AN INCOME TAX ALLOWS FOR INDIVIDUAL CIRCUMSTANCES: A credit would be allowed commuters on their New Jersey income tax obligation for taxes paid to New York State or Pennsylvania -- or to any of their municipalities. Size of family and extraordinary financial losses would also be taken into account in computing an individual's state income tax.

AN INCOME TAX IS ECONOMICAL TO ADMINISTER: Administration is simplified by employer withholding and by coordination with the federal income tax. New Jersey's income tax machinery is already functioning for the commuter tax.

AN INCOME TAX WOULD HELP TO BALANCE NEW JERSEY'S UNFAIR TAX STRUCTURE: Since inequitable taxes such as the local property tax and the state sales and excise taxes account for a major part of total state and local tax revenues, New Jersey's tax structure is unusually regressive. A progressive income tax is needed to balance what is now a very unfair tax structure.

How The Coalition's Tax Reform Program Will Work

It is the program of the New Jersey Coalition for the Reordering of Priorities to raise a substantial portion of the revenues presently borne by the property tax through a graduated income tax. This will accomplish the following results:

1. Bring about an immediate 62% reduction in taxes paid by the homeowner on his property and paid by tenants in their rent -- estimated to be 25%-30% of rent. <u>Provision will be made to enable tenants who rent apartments to receive a proper share of the tax saving enjoyed by their landlord, by pro-rating these savings among the tenants as in rent leveling.</u>

2. Effect a net savings to lower and middle income families because of the progressive nature of a graduated income tax, scaled at rates of 2% to 14%. Families whose incomes are below $5000 will be exempt from the payment of any income tax, since they are at or near the poverty level. Those in the upper income brackets will pay their fair share. The tax will not be a burden to any group as it is based on ability to pay.

3. Because of the 62% reduction in property taxes, corporations will save substantially. We propose that most of the money they save be recaptured equitably, through the classification of property, a rise in the corporate income tax, or some combination of the two. Under this system, $334 million would be raised from the corporations, while at the same time allocating $100 million to be used to give tax relief for industries burdened by the excessive tax rates of the cities. This will encourage industry to remain in the cities, with the benefit of maintaining jobs and ratables where they are needed most.

4. Through this broad-base tax, sufficient revenues will be raised to meet annual increases in the cost of education and other budgetary needs.

How the Program Will Work

State Assumption of 100% of the Local Cost of Public Schools..........	$1,288 million
State Assumption of 100% of County Welfare Costs......	75 million
	$1,363 million
Income from a 2% to 14% graduated income tax (families with incomes under $5000 exempt)..........	$1,200 million
Income from corporations as in 3 above................	$ 334 million
Additional Income to State	$1,534 million
Less Public School and Welfare Costs	1,363 million
Surplus for State Needs	$ 171 million

<u>NOTE</u>: The $171 million surplus will go for annual increases in State costs and to assist the cities in meeting their urgent revenue needs. As funds come in from federal government revenue-sharing and welfare legislation, we will have a sizeable amount to meet the needs of an expanding population without having to levy more taxes, and, indeed, to start a roll back of the sales tax.

Examples of How The Tax Burden Would Be Shifted

(Assuming a 2% to 14% income tax and family of four)

Homeowner A

Income	*$ 7,500*
Valuation of home	*20,000*
Current property tax, figured on State average of $3.93 per $100	*786*
Amount saved when property tax is reduced by 62% through State assumption of public school and welfare costs	*487*
New tax on Income	*113*
Net Tax Saving	*$ 374*

Homeowner B

Income	*$12,000*
Valuation of home	*30,000*
Current property tax	*1,179*
Savings from property tax relief	*$ 731*
New tax on Income	*300*
Net Tax Saving	*$ 431*

How About The Sales Tax?

The Coalition's tax reform program looks to a future roll back in the sales tax once a graduated income tax is in effect and new funds are coming into the state from federal revenue sharing legislation, welfare legislation, etc.

The Coalition is not proposing a roll back at this moment because of the urgent need for dealing with the far greater inequity in New Jersey's high property tax. (The average property tax in New Jersey amounts to nearly a 4% annual sales tax on the full value of a home. In the cities it is a good deal more than that.)

Because of the exemptions in the New Jersey sales tax, it is one of the least regressive sales taxes in the nation. The Coalition's program will guarantee that the sales tax will not be increased, that exemptions will not be removed and that as federal funds are received a sales tax roll back is effected.

Holding The Line On Property Taxes

The Coalition believes that firm measures must be taken to inhibit the re-escalation of the property tax. They should include, 1) legal limitation on property tax increases, as already used in all states except the Northeast, 2) state incentives for the adoption of more efficient organization and administration of counties, municipalities, and school districts, 3) state-developed standards not to be enforced by a state bureaucracy but to be applied by local administrations, and used by informed citizens to evaluate local performance. (See Appendix IV).

APPENDIX I - SCHOOL FUNDING

The 100% state funding of local public school costs would be computed annually on the basis of the previous year's state-wide operating expenditure. Distribution would be according to a weighted per-pupil formula taking into account the differential in cost between elementary and secondary education. There should be add-on state financing for extraordinary educational requirements for disadvantaged children, for rapid school expansion, and other special circumstances. Current enrollments should be used in allocating aid. Some leeway should be permitted for programs of local initiative, perhaps up to 10% additional, to be approved by the voters. It should be written in the legislation that administration of the schools, including hiring of teachers, choices of curriculum, etc. will remain in local hands.

APPENDIX II - COURT RULINGS ON THE PROPERTY TAX

In the past few months, rulings by State Courts in California and New Jersey, and a Federal Court in Texas, have declared the property tax as presently levied to be illegal as a method of raising revenues for education.

The courts found that there was such a vast disparity in funds raised within the State for education, between school districts in poor communities and those in the more affluent, as to deny children equal protection under the 14th amendment to the U.S. Constitution.

In the Texas case, the Federal court ordered the State to remove the property tax as a means of funding education, and gave it two years to accomplish this change. The differential in per capita expenditures for education in Texas ranges from $264 at the lower end to $5,334 in the wealthy communities, a 2000% disparity.

Here in New Jersey, State Superior Court Judge Botter ruled that the financing of public school education through local property taxes was unconstitutional in that it violated the equal protection provisions of the State and Federal Constitutions. The New Jersey State Constitution includes educational and equal protection clauses. Thus, no matter what is ultimately decided on a national level, if the New Jersey decision is upheld in New Jersey Supreme Court, it will be the law of New Jersey. The legislature was given one year to approve a constitutional system for financing public school education.

It is clear from these court decisions that the property tax, as the source of funding public schools, may be outlawed all-together, although it will be with us on a reduced scale to cover other municipal cost. It is up to the people of this State and the entire Nation to find the means of raising funds for public education in a more equitable and adequate manner.

APPENDIX III - THE VALUE ADDED TAX

President Nixon in his State of the Union message said that he would find a federal substitute to replace the property tax in order to help the states in funding education, if the lower court decisions are upheld in the U.S. Supreme court. Members of the administration have indicated that this new federal tax will be the "value added tax", now being considered by the Advisory Commission on Intergovernmental Relations.

The New Jersey Coalition for the Reordering of Priorities is opposed to the "value added tax" on the grounds that it is both regressive and inflationary.

It levies a tax at various stages of the production of goods and services, with the consumer forced to pay the compounded tax at the end of the road.

Under the value added tax, there is a levy on the sale of the raw material to the manufacturer, another when the manufacturer sells to the distributor, still another when the distributor sells to the retailer and then a final tax to the consumer when he purchases the item at the corner store.

Thus the tax is pyramided all the way along the line. At this time, when sacrifices are being demanded to hold the line on inflation, this tax would escalate the cost of goods and services as would no other.

APPENDIX IV - STATE GUIDELINES

Economical operation of government is critical in holdind down property tax increases. This is essential to the successful operation of the graduated income tax, as an instrument for genuine tax reform.

The state government must assume leadership in showing how the public interest would be better served by the consolidation of many services to citizens - on an operational basis if not through organic consolidation.

Many important services, such as the professional assessment of property, should become the responsibility of county government after it has become modernized as the result of State Optional Charter legislation. Other services, such as those related to environmental quality, should be handled on a regional basis. Studies of the need for these changes abound; there must be more impetus for their implementation if property taxes are not to skyrocket again.

APPENDIX V - PROPERTY TAX REVENUE OF STATE AND LOCAL GOVERNMENTS AS PER CENT OF TOTAL TAX REVENUE OF THESE GOVERNMENTS, 1968-1969

FOR SELECTED INDUSTRIAL STATES	
National Average	40%
New Jersey	55.8%
Connecticut	53.5%
California	46.4%
Illinois	46.3%
Michigan	38.6%
New York	36.7%
Pennsylvania	31.2%

CHURCH AT THE CROSSROADS
AN AMERICAN BAPTIST CHURCH
10 South Oraton Parkway, East Orange, New Jersey • (201) 673-2111

WILLIAM S. GEORGE
JOSEPH J. THOMASBERGER
Ministers

My name is Joseph Thomasberger. I am co-pastor of the Church at the Crossroads - An American Baptist Church, 10 So. Oraton Parkway, East Orange, N.J. and I am the Chairman of the Taskgroup on Taxation of the American Baptist Churches of New Jersey, 161 Freeway Drive, East Orange, N.J.

The Taskgroup on Taxation has reviewed with appreciation the report of the New Jersey Tax Policies Committee and agrees with its imperative that the regressive burden of the local property tax must be relieved during this year.

The Taskgroup on Taxation has distributed a brief summary of that report to the clergy leadership of its association of over two hundred (200) members. It has sponsored workshops in various parts of the state and the feeling at each hearing has favored tax reform as being necessary and desireable.

The Governor's legislative proposals implement the meat of this report and deserve serious consideration and prompt action on the part of the legislature. The people of New Jersey need, and I believe want, tax reform this year.

The Taskgroup on Taxation has also studied and distributed the "Program for Progressive and Equitable Taxation" of the New Jersey Coalition on Reordering Priorities. The Taskgroup has appreciated the effort of the Coalition to study the issues and has recomended that the American Baptist Churches of New Jersey officially join the Coalition.

Thus, we support the program proposed by the Governor as a beginning of reform and relief and urge the legislature to consider the program suggested by the Coalition as a more progressive and equitable step.

DATE DUE

BRODART, INC.	Cat. No. 23-221