

PUBLIC HEARING

before

LEGISLATIVE CONFERENCE GROUP ON FULL
ASSESSMENT PROBLEMS - RECOMMENDATIONS

on

Senate and Assembly Bills Numbers 81, 82, 84,
85, 86, and 87, and Senate and Assembly Concurrent
Resolutions Number 23.

Held:
February 11, 1959
Assembly Chamber
State House
Trenton, New Jersey

MEMBERS OF CONFERENCE GROUP PRESENT:

Senator Wayne Dumont, Jr., (Chairman)

Senator John A. Waddington

Assemblyman Charles E. Farrington

Assemblyman Elmer M. Matthews

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result in the same tax impact on business realty and machinery and equipment as under the present arrangements.

On the assumption that 40 per cent of book value is the required ratio, we favor that ratio. If the data provided to the assessors under S-81 should indicate that application of the same 40 per cent ratio to machinery and equipment as is applied to realty would increase the tax impact on business, we would consider appropriate downward adjustment of the machinery and equipment ratio a minimum essential in the interest of the future industrial development of our State.

The state Chamber of Commerce is opposed to the assessment of inventories at $12\frac{1}{2}$ per cent of their average fair value. The taxation of inventories should be eliminated, preferably at one fell swoop, but at least by a gradual method such as is proposed for household goods in S-84.

Volumes have been written and said about the inequities involved in the taxation of personal property, especially inventories. A recent addition to those seeking its elimination is Governor William G. Stratton who recently recommended to the Illinois Legislature that it "take bold statutory action to eliminate the present inequitable personal property tax."

Our neighboring states, Delaware, New York, and Pennsylvania, do not impose local property taxes on inventories. New Jersey cannot afford to do so without detriment to our future industrial development.

Senate Bill No. 81 proposes that the taxable value of taxable tangible personal property not used in business be determined at 50 per cent of fair value. In line with our discussion above of

the ratios applicable to real property and machinery and equipment, the State Chamber would favor a 40 per cent ratio for tangible personalty not used in business in preference to a 50 per cent ratio.

Mechanics and Penalties -

1. Paragraph (d) of Section 54:4-11 of the Revised Statutes, as amended by Section 12 of Senate Bill No. 81, provides that the Director may promulgate rules and regulations for the determination of costs, depreciation, and net book value of personal property used in business. The State Chamber recommends that this paragraph be amended so as to require acceptance by the Director of such costing and depreciation methods as are acceptable for Federal income tax purposes. A similar restriction should be imposed on the rules and regulations and the book value adjustments permitted the Director under paragraph (f) of Section 54:4-11 of the Revised Statutes as amended by Senate Bill No. 81.

2. The assessors would be required under Section 13 of Senate Bill No. 81 to "review, audit, and determine the taxable valuations of each taxpayer required to file a return" and to "include in his tax list and duplicate the valuations of taxable personal property" reported by the taxpayers or determined by the assessors.

We recommend the addition to this Section of Senate Bill No. 81 of the following language which was contained in Section 15 of Senate Bill No. 211 of last year:

Any taxpayer deeming himself aggrieved by an increase or decrease in any reported taxable valuations may, on or before the following August 15, appeal to the county board of taxation from the action of an assessor of a taxing district in accordance with the statutes and rules governing appeals to such body.

While it may be argued that there is implicit provision for such action on the part of the taxpayer elsewhere in the law, we feel that it would be desirable to spell it out again in this section.

3. As indicated above, Senate Bill No. 81 fails to define the concept of fair value as applied to tangible personal property not used in business, such as household goods. Also, by eliminating the present language of Sections 54:4-12 and 54:4-13 of the Revised Statutes which prescribes the mechanics and penalties applicable to both business and non-business personalty and replacing these Sections with language applicable only with respect to business personalty, Sections 13 and 14 of S-81 eliminate the mechanics and penalties applicable to the assessment of non-business personalty. It would seem that this treatment is a carryover from S-211 which provided for the complete and immediate elimination of the tax on non-business personalty.

4. Another omission from Senate Bill No. 81 is the failure to indicate the necessary amendments to the Railroad Tax Law of 1948 to bring it into conformity with the proposed amendments to the other statutes governing the taxation of property.

5. We note that neither Senate Bill No. 81 nor any of the other six bills under consideration today contains any provisions for improving the quality of the assessment of real property. In this connection we wish to reiterate our recommendation that the county be established as the primary assessment district; that assessments be under the direction of a fully qualified competent county assessor, appointed by the Board of Chosen Freeholders, with detailed qualifications established by the Legislature; and that qualified assessing personnel now employed

in the various taxing districts be absorbed into the new organization.

CHAIRMAN DUMONT: Mr. Walsh, in this recommendation that you make regarding the elimination of the tax on business personalty, you are aware of the fact that that tax brought in to the municipalities that imposed it in 1958 somewhere around \$45,000,000. Now, what would you recommend to make up for that loss if we were to pass legislation, assuming that it could pass, eliminating the business personalty tax or the business inventory tax?

MR. WALSH: The State Chamber has been in favor of a broad-base tax and recommends a sales tax for the eliminating of these personal property taxes and also to cover any additional required that you might need for a deficit in your budget and for school aid.

CHAIRMAN DUMONT: Now, in addition to that, I gather from your number 5 here, which is the last paragraph you read, on page 6, that you are pretty much in favor of a bill which has been reintroduced just recently and was introduced last year by Senator Farley which would establish a new office of Supervisor of Equalization in each county, to be named by the county board of freeholders, is that correct?

MR. WALSH: I don't think that is the same thing. No, I think we opposed that bill.

CHAIRMAN DUMONT: You opposed that bill. All right. But you want the assessment procedure to be transferred from the municipal to the county basis as recommended substantially in the Sixth Report of the State Tax Policy Commission, is that correct?

MR. WALSH: Yes.

CHAIRMAN DUMONT: Just one very small point here. I always thought there were 567 municipalities in New Jersey and I wondered in what category that extra municipality that you haven't noted on page 3 would fit.

MR. WALSH: One that doesn't collect any taxes.

CHAIRMAN DUMONT: There is one that doesn't collect any? That is the place where everybody is going to live then, I take it.

MR. WALSH: I would like to find out where that is myself.

CHAIRMAN DUMONT: All right. Any questions of Mr. Walsh? Senator Waddington.

SENATOR JOHN A. WADDINGTON: Mr. Walsh, you give the statewide average present ratios for two of our neighbors, New York and Pennsylvania. Would you happen to know the assessment ratio for our third neighbor, Delaware?

MR. WALSH: Mr. Simmons has it here in the records, perhaps.

SENATOR WADDINGTON: Well, if I could have it later, I would appreciate it. I was intrigued with the recommendation, as was Senator Dumont, that you wished the elimination of assessment on inventories despite the fact that the Tax Policy Commission recommended a ten per cent assessment level on inventories and despite the fact that at the present time many of our municipalities are raising substantial sums. This would mean a real problem in a number of municipalities in many counties.

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SENATOR WADDINGTON: 40, 40, and 10.

MR. WALSH: 40, 40, and 10.

SENATOR WADDINGTON: Well, my question is concerned with your statement that New Jersey cannot afford to tax inventories without detriment to our future industrial development. Some of us have been under the impression that what was more basic than that was fixing the level of assessments so that business would know about where it would stand on business inventory assessments.

MR. WALSH: Well, I think it is better to have it more like New York or Pennsylvania or Delaware, our surrounding states. Then we would be in competition with them where we aren't right now. We are competing with those three states for business and I think it was brought out when U. S. Steel moved over into Pennsylvania that that was one of the reasons why they moved over there, because of it.

SENATOR WADDINGTON: Because of the potential?

MR. WALSH: Because of the potential of 100 per cent.

CHAIRMAN DUMONT: Assemblyman Matthews.

ASSEMBLYMAN ELMER M. MATTHEWS: Mr. Walsh, I noticed in your presentation that you would prefer a ratio of 40 per cent of true value rather than 50 per cent of true value. And going through your presentation - I don't want to characterize it - I notice that most of your objections to the 50 per cent ratio are psychological rather than practical. Do you have any practical criticism of the 50 per cent ratio?

MR. WALSH: Most of the items I think are practical.

ASSEMBLYMAN MATTHEWS: Well, I guess we are having a little bit of trouble with definition of terms. But as I understand

it, you indicate that most of the people you feel are near 40 per cent and then it wouldn't hurt too many people as much if we changed it to 40.

MR. WALSH: Most of them are below 40 per cent. There are so few above the 40 - there are only, I think, 19 districts that are above the 40.

ASSEMBLYMAN MATTHEWS: Have you taken into account the fact that mathematically a 50 per cent ratio is a lot easier to approach than a 40 per cent?

MR. WALSH: I can't agree with you. It's not very significant 40 or 50.

ASSEMBLYMAN MATTHEWS: I also notice that you recommend a downward revision of the ratio on business machinery below the realty ratio and even below 40 per cent which was the ratio that you would propose in your presentation. Would you be willing to go along with either 40 per cent or, if we agree on 50 per cent as the ratio, 50 per cent initially; that is to say, the same ratio on business machinery and realty initially?

MR. WALSH: I think I brought that out. And then after we find out the revenue impact - and I think you are going to get more revenue than you anticipate on that - when you get into all the machinery, then it should be revised downward.

ASSEMBLYMAN MATTHEWS: Initially then, you think the ratio on real estate and business personalty should be the same?

MR. WALSH: Yes.

ASSEMBLYMAN MATTHEWS: There is one other point that you brought up. You mentioned the depreciation of personalty. Where is that in your presentation?

MR. WALSH: Page 5, under Mechanics and Penalties, number 1.

ASSEMBLYMAN MATTHEWS: I noticed that in that you ask that the Director accept the same depreciation scales and schedules as are acceptable for the Federal income tax. Now, you realize, of course, that we are talking now about ad valorem taxation as opposed to income taxation.

MR. WALSH: I realize that.

ASSEMBLYMAN MATTHEWS: And don't you think it would be rather inequitable in a lot of situations to allow a taxpayer to apply a depreciation schedule that is purely phased toward income taxation in an ad valorem tax situation?

MR. WALSH: No, I don't think so.

ASSEMBLYMAN MATTHEWS: Let's take for example the accelerated depreciation schedule that the Federal government allows, take for example, certain defense industries. Encompassing your remarks here, would you allow that as a part of your accepted depreciation schedule?

MR. WALSH: Yes, for this reason: Now you could go back to World War Number Two when accelerated amortization was allowed on 100 per cent of all facilities. Now that would be out the window in so far as property taxes are concerned because we would use the floor of 20 per cent if they are not already written off our books. And the Korean situation, that was a little different; they did not allow 100 per cent of the facility to be certified. It was only that per cent that they deemed necessary for the benefit of the war. So you are not talking about too much money in this particular instance. What I am concerned more with - we have perhaps

five or six different methods - or bid industry has five or six different methods of figuring depreciation. We had straight-line depreciation before 1954.

ASSEMBLYMAN MATTHEWS: May I interrupt, Mr. Walsh?

MR. WALSH: Yes.

ASSEMBLYMAN MATTHEWS: I think each of those five or six methods also has five or six variations too.

MR. WALSH: Well, that is true and that is why I don't want another variation in here. And then if you get a variation state by state, the accounting cost of administering it would be prohibitive.

ASSEMBLYMAN MATTHEWS: Well, as a practical matter in speaking of tax equity and tax equality, don't you think it would be a lot more equitable if we, for example, took a strict straight-line method for ad valorem property tax purposes?

MR. WALSH: No. I can't agree with you on that.

ASSEMBLYMAN MATTHEWS: I don't want to get into a controversy here, but do you really think that that would be effective for purposes of ad valorem taxation?

MR. WALSH: I am quite sure it would be.

ASSEMBLYMAN CHARLES E. FARRINGTON: Mr. Walsh, your group has recommended certain additional exemptions and has suggested that a sales tax could be used for replacement of the loss as a result of the exemptions.

MR. WALSH: That is not only for these two.

ASSEMBLYMAN FARRINGTON: Specifically on this, what mechanics would you recommend in order to make the sales tax money available as a replacement for these taxes?

MR. WALSH: Well, the Legislature would have to set up

some mechanics for reimbursing the cities and towns for the loss that they would be taking for the two taxes that would be eliminated. You would have to work up some kind of a formula. I think you could work it up.

ASSEMBLYMAN FARRINGTON: Well, would you recommend that it be done through increased state assistance or aid, changing the present formula for education?

MR. WALSH: That is one possible method, but I wouldn't recommend it myself.

ASSEMBLYMAN FARRINGTON: It has been suggested that if we were to replace this type tax with a broad-base tax that we would in effect be merely changing tax collection from the local collector to the State. Now, do you have any comment to make with respect to that?

MR. WALSH: Well, that is done in many other states across the Nation, I know. The collections are made by the state and then distributed back to the local level.

ASSEMBLYMAN FARRINGTON: I realize that, of course, but do you have anything specific to say with respect to that?

MR. WALSH: Well, in this way we would eliminate the inequity of those two taxes.

ASSEMBLYMAN FARRINGTON: Well, let me put it a little more specifically. If the taxes on my home are reduced by, say, X number of dollars, am I going to pay X number of dollars to the state by way of a sales tax?

MR. WALSH: It depends on how the formula works, although you would pay an additional sales tax.

ASSEMBLYMAN FARRINGTON: Do you disagree with that

contention?

MR. WALSH: No.

ASSEMBLYMAN FARRINGTON: I mean, the contention that we are merely changing the tax collection from the local collector to the state.

MR. WALSH: No. I don't disagree with you.

ASSEMBLYMAN FARRINGTON: You don't disagree with that contention?

MR. WALSH: You are correct on that.

ASSEMBLYMAN FARRINGTON: Then is there any real necessity for a replacement tax?

MR. WALSH: Well, you are getting rid of the inventories. I don't know how you could get rid of them otherwise unless you throw it over on the state to collect them.

CHAIRMAN DUMONT: Any questions by anybody in the audience of Mr. Walsh on the first part of his presentation? Mr. Miller. I might say that Mr. Miller is the counsel, also head of the Research Staff - I hope I am getting my titles right - of the State Tax Policy Commission and therefore has had much to do with the preparation of the reports that have been issued by the State Tax Policy Commission.

MR. WILLIAM MILLER: Mr. Walsh, do you estimate that the amount of tax that would be paid with a 40 per cent ratio is any different than the amount of tax that would be paid with a 50 per cent ratio?

MR. WALSH: No. We don't think so. We hope not.

MR. MILLER: Well, in any event, your purpose is not to

increase or reduce the amount of tax by the difference in ratio?

MR. WALSH: That's correct.

MR. MILLER: Just one other thing. If that is so, isn't it fair to say the State Chamber agrees rather broadly with the principle of Senate 81 and it is just on these specific items that you prefer changes?

MR. WALSH: Yes. I would say that.

MR. MILLER: Thanks.

CHAIRMAN DUMONT: Any other questions? (No response.)

I think maybe for purposes of clarification I might review just very briefly the two recommendations or the two alternatives that were made in the Ninth Report of the State Tax Policy Commission because it seemed to me they were getting a bit confused at one point here. Alternative number one, proposed the 40-40-10 system, 40 per cent on real property, 40 per cent on business machinery and equipment, and 10 per cent on business inventories. It was alternative number two that recommended the elimination of the business inventory tax, but at the same time it also recommended the adoption of a business income tax, to be levied on unincorporated businesses as well as incorporated businesses, which would be used to replace the losses that would be sustained if the business inventory tax and the personal property tax on household goods and furnishings were both eliminated. So that Senate 81 actually, although it ups the percentages, is more like alternative number one than two because there isn't any replacement tax available as we see it at the moment to do any replacing with.

MR. WALSH: I might add that we had the business income tax with no relief on the inventories.

CHAIRMAN DUMONT: You have it on corporations. You don't have it the way it was recommended in the second alternative because that would have included its application to unincorporated businesses as well as incorporated businesses. As it was finally adopted, it was only on corporate net income.

SENATOR WADDINGTON: Not at the same level.

CHAIRMAN DUMONT: Senator Waddington says "not at the same level." That is true, the level was somewhat reduced by the Legislature.

All right. If there are no further questions, proceed, Mr. Walsh, please.

MR. WALSH: Senate Bill No. 82 as originally introduced - now, I don't know whether it has been changed or not - refers to the weighted and the unweighted - and unweighted value applied only to the Board of Tax Appeals and weighted applied to the County Board and to the courts, and our discussion here is assuming that it would be all unweighted. I think they are going to change the bill.

Senate Bill No. 82 provides that, in appeals before the Division of Tax Appeals, county tax boards, and the Superior Court, where it is alleged that the property has been assessed at a value in excess of the "common level" in the taxing district, it would be presumed, subject to rebuttal by the taxing district, that the "common level" is the unweighted average ratio of assessed to true value of real property plus and minus 15 per cent of the average as determined by the Division of Taxation.

The bill also provides that it would be presumed, subject to rebuttal by the taxing district, that discrimination has been established whenever the division, board, or court is satisfied by the proofs that the ratio of assessed to true value of the property exceeds the upper limit of the "common level;" in which case the taxable value may be reduced or increased so as to fall within the "common level."

Position of the State Chamber - A useful workable definition of "common level" would indeed be welcomed by the beleaguered taxpayer who has been told that a discriminatory assessment may be remedied by reduction to the "common level" but who has also been told that the average assessment ratio is not the "common level," and that in most cases a "common level" is extremely difficult, if not impossible, to find.

However, much of the benefit derivable by the taxpayer from a definition of "common level" is vitiated in S-82 by subjecting the concept, and the presence of discrimination under it, to rebuttal by the taxing district and by limiting its use to cases in which the ratio of assessed to true value exceeds the unweighted average ratio of assessment by 15 per cent or more of that average ratio.

Senate Bill No. 82 should be amended to require approval or rebuttal of the common level by the taxing district before publication of the same for each taxing district by the Division of Taxation. If the taxing district rebuts the common level determined by the Division of Taxation, the district should be required, since uniformity is both a statutory and constitutional

requirement, to prove what its common level is, as is now done with respect to the average ratios of assessed to true value promulgated by the Division of Taxation for school aid purposes.

The bill should also be amended to identify the common level with the unweighted average ratio itself of assessed to true value in the taxing district. Even though individual assessment ratios are characterized by a certain degree of dispersion, nothing is gained by arbitrarily defining the common level as extending 15 per cent on either side of the unweighted average ratio and nothing would be lost by defining the common level as the unweighted average ratio itself and assessing each successful appellant at that ratio.

Furthermore, there is no reason why the taxpayer should be required to prove that he is being discriminated against to the extent of having a ratio 15 per cent above the unweighted average ratio of his neighbors in order to establish discrimination. This requirement could lead to permanent discrimination of 15 per cent against a given class of taxpayer. Therefore, we recommend that it be eliminated from Senate Bill No. 82.

CHAIRMAN DUMONT: With those changes then, do we take it that you are in substantial agreement with Senate 82, which is also the same as Assembly 82?

MR. WALSH: Correct.

CHAIRMAN DUMONT: Any questions of Mr. Walsh on this bill? Anybody in the audience? (No response.) All right. Proceed, please.

MR. WALSH: Senate Bill No. 84 would exempt household

furniture and effects from taxation to the extent of 1/3 of its taxable value in 1960, 2/3 of its taxable value in 1961, and entirely in 1962 and thereafter.

Position of the State Chamber of Commerce - While in principle the State Chamber favors the elimination of the taxation of household goods because of the difficulties of equitable administration, we wish to emphasize the fact that its elimination involves the shifting about of over \$17 million of local property taxes over \$7 million of which represents an additional burden on business. As mentioned in connection with our discussion of S-81, we feel that the inventories tax should also be eliminated -- if not all at once, then at least on a gradual basis such as is proposed here for household goods.

CHAIRMAN DUMONT: One question on this recommendation:-- Suppose this bill were to pass and the household goods tax were eliminated. I don't understand here whether you are recommending that that be replaced or whether you are satisfied to have it eliminated without replacement.

MR. WALSH: Well, we prefer replacement.

CHAIRMAN DUMONT: You prefer that, but would you oppose it if it were passed without replacement?

MR. WALSH: No.

CHAIRMAN DUMONT: No. All right. Any further questions? (No response.) Continue, please.

MR. WALSH: Senate Bill No. 85. Senate Bill No. 85 would freeze at 7-1/2 per cent the gross receipts tax levied on street railway, gas and electric, and sewerage corporations using or occupying public streets, highways, roads or other public places

in New Jersey.

Under present law the rate of this tax is the average rate of property taxation in the State, but not less than 5 per cent and not more than 7-1/2 per cent. At the present time the maximum 7-1/2 per cent rate is applicable.

Position of the State Chamber of Commerce - Since it is our understanding that representatives of the industries affected by S-85 plan to appear before this committee, we take no position with respect to this bill at this time.

CHAIRMAN DUMONT: I guess there are no questions on that. We will reserve them until the witnesses testify on that bill. Continue, please.

MR. WALSH: Senate Bill No. 86. Senate Bill No. 86 would amend the statute which exempts from taxation personal property stored in a warehouse. The bill would exclude from the exemption property held for resale in the usual course of trade or business except perishable goods.

Position of the State Chamber of Commerce - The State Chamber is opposed to Senate Bill No. 86. As stated above, the State Chamber considers complete elimination of the personal property tax on inventories a minimum essential first step toward the restoration of New Jersey's competitive position in the retention and attraction of industry. Enactment of Senate Bill No. 86 would serious impede the attainment of this objective. The imposition of the personal property tax on such goods as are covered in this bill may result in an immediate, although largely temporary, increase in the revenue derived from the personal

property tax in several of the taxing districts of the State and by giving these districts a vested interest in the increased revenue make more difficult and more costly, if not impossible, the elimination of the personal property tax on inventories.

We understand that the warehousemen will have a representative at this hearing to present their position with respect to Senate Bill No. 86. For that reason we have not made a more detailed analysis of this bill.

CHAIRMAN DUMONT: Now on this one, assuming for the moment, at least, that you have no way of replacing the personal property tax on business inventories if it were eliminated, do you think that it is fair that all the personal property stored in public warehouses should continue to be exempt entirely from personal property taxation?

MR. WALSH: I would prefer to have the warehousemen talk about that.

CHAIRMAN DUMONT: All right.

MR. WALSH: I think they are better qualified than I am.

SENATOR WADDINGTON: Mr. Walsh, the purpose of this hearing, of course, is not to evaluate New Jersey's position basically in competition for industry, but I don't think we should let go completely unchallenged this repeated statement which you have made here "toward the restoration of New Jersey's competitive position in the retention and attraction of industry." Some of us have not been convinced that New Jersey's position has deteriorated.

MR. WALSH: Well, there have been Pennsylvania studies and Harvard studies showing that we are higher than our neighbors

on costs.

SENATOR WADDINGTON: In property tax?

MR. WALSH: In property tax. That is all taxes combined.

CHAIRMAN DUMONT: Any other questions on this point?

(No response.) All right.

MR. WALSH: Senate Bill No. 87. Senate Bill No. 87 consists of an amendment of Sections 54:4-1 and 54:4-9 of the Revised Statutes.

Section 54:4-1 is amended so as to make personal liability for personal property taxes apply only in the case of taxes on tangible personal property used in business. At present the personal liability applies also to taxes on personal property not used in business. The relevant clause in Section 54:4-1 would be eliminated by Section 10 of Senate Bill No. 81.

Section 54:4-9 is amended so as to limit to business personalty the provision that "the tax on all tangible personal property in this State shall be assessed in and for the taxing district where the property is situated" and to change the language to include the concept of taxable value.

Position of State Chamber of Commerce - It is our opinion that the exclusion of non-business personal property from the effect of the changes called for in Senate Bill No. 87 is the result of inadvertence.

This instance of not legislating adequately for non-business property, together with other instances, some of which were mentioned in our analysis of Senate Bill No. 81, probably arises from the fact that Senate Bill No. 211 of last year, from

which the current Senate Bills No. 81 and No. 87 were derived, provided for the immediate and complete elimination of non-business personal property.

We recommend that such omissions and inconsistencies be cleared up.

CHAIRMAN DUMONT: Any questions on this bill?

(No response.)

MR. WALSH: Senate Concurrent Resolution No. 23. - Senate Concurrent Resolution No. 23 proposes a constitutional amendment to increase the veterans' exemption from taxation on real and personal property from an aggregate assessed valuation of \$500 to an aggregate assessed valuation of \$750.

Position of the State Chamber of Commerce - In view of the fact that our recommended 40 per cent assessment ratio involves a lesser impact on the veterans' exemption, and in view of the fact that no one knows the final effect on the various classes of taxpayer of the changes which would take place in the taxation of property under a new system, we join at this time in the recommendation of the Tax Policy Commission "that any application of a parity value of veterans' exemptions be deferred and that adjustments requiring a constitutional amendment await some experience with the many variables of a new form of property tax administration."

CHAIRMAN DUMONT: Now, any questions on the balance or, in fact, on the whole presentation of Mr. Walsh?

Would it be fair to say, Mr. Walsh, that aside from these recommendations that you make for amendments to these various

bills, you are generally in agreement with the program outlined in these bills?

MR. WALSH: I would say yes, Senator.

CHAIRMAN DUMONT: Any other questions? (No response.)

Thank you, Mr. Walsh.

MR. WALSH: Thank you.

CHAIRMAN DUMONT: At this time I would like to say that Senator Fox of Essex County and Senator Crane of Union County sent in their regrets that they could not attend today because of prior business appointments and that they will be here for any subsequent hearing. They both have been very diligent members, I might add, of this group that has been trying to work out the legislation.

Now, you can blame me for getting out of order here on this next one, but I made a promise - I think it was about a week ago - to former Superior Court Judge Richard J. Hughes who is here today as a witness representing the Associated Railroads of New Jersey that he would be able to get on this morning because he has to go elsewhere shortly. So if Judge Hughes is available, we will put him on now.

JUDGE RICHARD J. HUGHES: Senator and gentlemen, the sting of the out-of-order arrangement, which I appreciate very much, may be diluted a little bit by the brevity of this statement. I have some copies here that I will leave with the committee.

The statement attached to S-81 characterizes it as we know as one of the bills designed to carry out a program agreed upon by the Legislative Conference Group of Full Value Assessment Problems. We understand it represents as the statement implies a modification

of Alternative I as proposed in the Ninth Report of the Commission on State Tax Policy.

It is noted that the Tax Policy Commission strongly urged a uniform, statewide assessment ratio for all property. As indicated by its report, its calculations of the effect of such legislation included a reduction of railroad property assessments. It is likewise commonly understood that the Legislative Conference Group also adopted the principle of uniformity as one of its basic standards for new legislation.

The railroad tax law of 1948, as commented upon by the Chamber's spokesman, Mr. Walsh, requires the commissioner, now the Director, Division of Taxation, to "***determine the true value, *** of all property used for railroad purposes in this State." S-81 does not propose any change in this formula.

The proposed standard in S-81 for assessing other real property in Section 15 of the bill is "full and fair value" and for tangible personal property (section 12) is "fair value." The "taxable value" for both, except inventories, is to be determined at 50 per cent of such values.

Since S-81 does not propose any change in the railroad tax law of 1948, we really believe its failure to propose such an amendment was an unintentional oversight.

We say this for the reason that there seems little doubt that assessment of real property in railroad use at a different standard from that applied to other real property would violate Article VIII of the New Jersey Constitution, providing in pertinent part:

"*** All real property assessed and taxed locally or by the State for allotment and payment to taxing districts shall be assessed according to the same standard of value; ***."

If the Railroad Tax Law is not amended, the Director of the Division of Taxation will face again the embarrassing choice of ignoring the statutory direction contained therein, or performing a statutory duty which he knows is contrary to the constitutional mandate. He was faced with such a dilemma, under somewhat different circumstances, after the decision of our Supreme Court in the Baldwin and Gibraltar cases. He took the position, and I suppose he could hardly be blamed for doing so, that he was bound to follow the statutory directive until such time as the courts said he was in error and it took protracted litigation in the D L & W Case, decided in 1957, to achieve a Supreme Court ruling on the same day it handed down its Switz decision, that the constitutional mandate overrode the statute and that the Director had the power and the duty to assess at less than true value when necessary to prevent discrimination.

Such conflict between statutory formulae for assessment and taxation and constitutional requirements has had a long and troubled history in this State and the failure of the State to afford full protection to Federal rights under the Fourteenth Amendment to the United States Constitution was commented upon by the United States Supreme Court as lately as 1946 in the Hillsborough Cases. The supremacy of constitutional requirements over the statute is undoubted as held by the latter court in affirming the principle that where it is impossible to secure both the standards of the true value and the uniformity and equality

required by law, "the latter requirement is to be preferred as the just and ultimate purpose of the law." As we know, a discrimination between taxpayers, so that one is assessed upon the full value of his property and others are assessed upon only a fraction of full value, violates the Fourteenth Amendment to the United States Constitution.

It rests with our Legislature, and we know that it is conscious of this, to put an end to the costly and unseemly conflict between statutory law and constitutional mandate. We believe it to be the intention of the Legislature in the interest of the public and for the sake of fairness to the Director of Taxation, to the railroads, to the people, and, in fact, to the courts, to close the door on the possibility of a new round of litigation involving such tax treatment.

With all respect, we therefore suggest to the Legislature that the railroad tax law of 1948 be amended to bring it into conformity with the objectives of Senate 81, to authorize and require the Director of the Division of Taxation to determine the fair value of all property used for railroad purposes in this State, and to compute and determine 50 per cent of such value, which shall be the taxable value of such property.

CHAIRMAN DUMONT: Judge Hughes, I think I can say for the majority, at least, of the members of this legislative group that it is intended to amend the railroad tax act to bring it or them into conformity with the general principle of uniformity because the majority of us, at least, feel that no matter how real property is used, whether it be for railroad, waterfront, farm, residential,

commercial, or industrial, everybody should be treated the same way, and it is the intention of the committee to amend those railroad tax laws to bring them into conformity with the general principle of uniformity.

Now, if that were done, would you as representative of the railroads generally find yourself in agreement, providing you had time to study these bills, with the program as outlined in the bills?

JUDGE HUGHES: Yes. We have no adverse comment on the bills.

CHAIRMAN DUMONT: Any other questions? (No response.)
Thank you very much.

JUDGE HUGHES: Thank you very much, Senator.

CHAIRMAN DUMONT: Mr. John Yauch, representing Public Warehousemens Development Committee.

MR. JOHN H. YAUCH: Gentlemen of the committee: My name is John Yauch, a member of the firm of Gilhooly, Yauch and Fagan of Newark.

I am here on behalf of the Public Warehousemens Development Committee to oppose Senate 86. I have given you a statement, consisting of five pages, which summarizes our reasons for objecting to this bill. I will not read the statement. I have attempted to analyze it - to summarize it - and the comments that I am about to make in that connection I hope will throw further light on this matter.

The organization that I represent, whose letterhead this statement has been presented on, is made up of several independent

organizations: The New Jersey Merchandise Warehousemen's Association, the Refrigerated Warehousemen's Association of the State of New Jersey, the New Jersey Furniture Warehousemen's Association. Those warehousemen's associations are made up of the membership which constitutes practically all of the bona fide, and I emphasize the word "bona fide," public warehouses in New Jersey, throughout the State of New Jersey.

I have presented to Senator Dumont a letter which was given to me yesterday from the New Jersey Motor Truck Association, the letter being addressed to me, and which stated in substance that I was authorized to speak on their behalf and state that they were very much against the adoption of Senate 86. The material in this letter which I think deals with the merits of Senate 86 is as follows: "We in the motor carrier industry in New Jersey believe that the pending legislation will have a harmful effect on the warehouse industry in New Jersey and by removal of certain tax exemptions tend to weaken and possibly destroy this thriving industry and divert business of this kind to adjoining states." And here is their direct interest in it. "Loss of this storage business to neighboring states would unquestionably mean the loss of substantial trucking business to New Jersey motor carriers. You are privileged, in the course of the public hearing *** to say for the record that the New Jersey Motor Truck Association wholeheartedly supports New Jersey warehousemen in opposing Senate Bill No. 86 ***."

Now, may I try to analyze this situation so that we deal with what I think are the meritorious facts, the meritorious considerations in connection with your evaluation of this bill.

May I take you back to 1925 in the Legislature at the time the bill which is now the law was passed, pursuant to which goods stored in a public warehouse were declared to be exempt, and may I refresh your memory as to the object of our Legislature in 1925 in adopting this bill, which I submit, and I hope you will agree, is still a good object. The object that was attached to the bill in 1925 was as follows: "The object of this bill is to enable warehousemen in the State of New Jersey to bid successfully with warehousemen in neighboring states where the property of the patrons of such foreign warehousemen is relieved from taxation. Any loss" - and may I emphasize this; it was apparently a real consideration of the Legislature in adopting this exemption bill - "Any loss of tax in the State of New Jersey would be more than offset by the increase of taxable property of New Jersey warehousemen resulting from their growth if this handicap is removed."

Now, I think there has been some misapprehension about this whole situation. The language of the existing law doesn't carry the purpose which some people who I have talked to who are on the opposite side of this question seem to think it does. You will note in Senate Bill 86 which, of course, carries the language of the existing statute and then the amending words are inserted that the exemption is limited to persons, co-partnerships, corporations engaged in the business of storing goods for hire - engaged in the business of storing goods for hire. If the purpose of Senate 86 is to prevent tax evasion by fictitious and not genuinely operated warehouses, I submit - and I am trying to be objective about this - that the tax assessors already have

adequate means to deal with that problem.

May I direct your attention to page four of my statement where I refer to the General Electric Case, the last paragraph on page four of our statement. The General Electric Case was just decided a couple of weeks ago by our New Jersey Supreme Court and dealt with both the constitutionality of this exemption statute and also just how far the statute goes and what the statute tended to exempt, under what circumstances. You will note at the bottom of page four of our statement, a quotation from the General Electric Case. The General Electric Case came down in the reports, New Jersey Law Reports, dated January 30, 1959, only a couple of weeks ago. The quotation from the General Electric Case - the unanimous opinion by the Supreme Court with Justice Heher rendering his own opinion, but agreeing with the result on the basis of other observations - is as follows:

"On the other hand, if it stores its property in a warehouse created or operated for its own private convenience and not genuinely operated as a public warehouse, then the statutory exemption must be deemed inapplicable, for here the statutory objective is not being served and no justifiable basis exists for favoring such personal property as against personal property stored at premises of taxpayers generally."

I don't want to burden this committee with any lengthy legal arguments, but I submit that the situation that we are dealing with here now, the suggested amendment to the statute which exempts warehouse property, is not necessary and the New Jersey Supreme Court has pointed out very clearly to the tax assessors of this state that they have a means through which they

Chamber is opposed to this bill for reasons which generally I am trying to outline here.

As I said, many warehouses have been developed since 1925. Now, may I give you a statement that is within my own personal knowledge. I know of two warehouses, one in Jersey City that is a genuine public warehouse, that is assessed for local rateables in the amount of \$3,189,000. Those rateables are there because of the use of the building for public warehouse purposes. Now, not only is it important as far as rateables are concerned, but it is important because of the people who work in that warehouse. There are 180 jobs of people that work in that one warehouse. There is a warehouse that I am acquainted with personally in Newark. The assessment on that public warehouse is \$381,900 and there are 114 people employed in that warehouse. Now, that is just a drop in the bucket, gentlemen.

As I said, I have not had an opportunity of gathering the statistics together, but I know from general knowledge that there are many other warehouses in Jersey City, in Newark, Camden, and right here in Trenton. As you come in on the Pennsylvania Railroad, just as you get into Trenton, you will notice off on the right some buildings that were abandoned by an industrial concern with the name on it J. Leo Cook Warehouse. There are warehouses like that throughout the state.

Now, may I without trying to be trite say that we cannot have our tax cake and eat it too. By that I mean this: I think really that it would be a breach of faith at this late date, after all this investment has been made in public warehouses, in reliance to a great extent on the 1925 exemption, to at this

late date emasculate that exemption, which I believe, and I say this seriously, this language would do.

And bear this in mind, if you will please, we know what we have now under the present exemption statute. Our courts have sustained its constitutionality. If this statute is amended now in the particulars that are suggested, I foresee protracted litigation and questions of constitutionality coming up again. Public warehousing is a vital part of the industrial life of this state. It's the sinews of industry in this state. Many local, national, and foreign storers of merchandise would be lost as a matter of their business to New Jersey if the personal property tax exemption were eliminated.

There is no reason, other than there are certain natural advantages which New Jersey has as a corridor state, being in a very important location as far as the eastern seaboard is concerned, why many of these storers if they become subject to personal property tax won't store over in New York. I happen to know that there are warehouses over in New York that are not loaded to capacity. Their rates in New York in public warehouses are not in excess of those in New Jersey. You might say "Well, they would have to pay for trucking to get it back to New Jersey." That's true, but the cost of trucking within the limited area would nowheres near match even a tax on an assessment limited to 12-1/2 per cent.

May I just relate to you one example. Offhand, you might say "Well, is it fair to exempt all property stored in public warehouses" as Senator Dumont asked the first witness. My answer to that is that it is fair to exempt property in a public warehouse

where the storage arrangement is a natural one in industry. If it is an unnatural one, if it's in a non-genuine public warehouse, if it's set up for the purpose of creating a basis for evasion of the tax, I say no. As a matter of fact, the public warehousemen of this state do not favor any such arrangement because we have lost some genuine public warehouse business in some cases where non-genuine warehouses were set up. Now, this example that I wanted to give you is along these lines. Take a case of a situation where there is a manufacturer in New Jersey of a product that is sold and distributed throughout our Nation and also is exported. The article, however, is only saleable at certain seasons, whether it's an edible or a toy or a certain type of clothing, winter, summer, spring, whatever it may be. Under the present setup, the manufacturer doesn't have to gear himself to the season. He can maintain stable production throughout the year, through the twelve months of the year, and store the merchandise in a public warehouse, and a lot of our business is based on that kind of an arrangement. When the season arrives for the sale and distribution of the merchandise, it leaves our warehouses. Some of it is sold in New Jersey. Most of it is sold outside New Jersey, throughout the Nation and is also exported. This arrangement which permits the storage of the merchandise in a public warehouse not only provides stability of the business, itself, it provides stability of jobs. You avoid the peaks and valleys of employment and unemployment. The goods are maintained in the public warehouse until the market is ready to receive them. Now if those goods so manufactured in this example which I have given, were to be subject to personal property tax, gentlemen,

they would not be stored in a New Jersey public warehouse. They would be shipped to various centers throughout the nation and the states where they would be shipped would be in the geographical location where distribution would be economical and so on. There are many, many states throughout the country where there is no personal property taxation at all, and those are the locations that the merchandise which now is stored in New Jersey will go. This business which now gives New Jersey tax rateables, which now gives New Jersey citizens jobs, would be lost to this state.

Now we are interested in Port Newark. Port Newark would be seriously affected. You know there is a lot of competition between ports in this country today. The Port of New York and Port Newark are having a tough job in the matter of competition with other ports. Have you ever observed the warehouse facilities that are down at Port Newark, not operated by the Port Authority, but operated by private warehousemen under lease from the Port Authority? If it weren't for those warehouses a lot of goods would never be shipped to the Port of Newark. If the merchandise in those warehouses is going to become subject to personal property tax, the goods won't be shipped to Port Newark.

Now, I am not going to go into any further legalistic or legal argument. I don't deal with the question of what language is used here in this proposed amendment; I am dealing with the principle that is involved and I hope that I have established enough relevant reasons to indicate that there is a substantial basis for our contention. We are not here just to feather our

needs or maintain something that is inequitable. I think the over-all welfare of the state will be served better by a continuation of a legitimate, bona fide exemption than it would be if we adopted a bill which would limit it or eliminate the exemption altogether.

You know that warehouses issue negotiable warehouse bills, bills of lading - warehouse receipts, I mean. In many situations the warehouseman doesn't know who the owner is. The goods may be subject to a negotiable warehouse receipt that has been pledged with banks. You are going to run into myriads of situations that are going to be very complicated, that I don't think we should even start in my opinion, as a matter of principle. But if you do, you haven't heard the last of this yet because there are so many complicated situations that are going to make administration very difficult. And don't forget these warehouse receipts are pledged with banks; they are like dollar bills as far as negotiability is concerned.

I am not exaggerating, gentlemen, when I say this. I am very serious about everything I have said here. I have tried to keep my feet on the ground. I am not going to say that the State of New Jersey is going to rack and ruin, but I have tried to point out with a realistic appraisal that it is going to do more harm than good. Already, gentlemen, I had a telephone call the day before yesterday because of my contact in the warehouse industry from one of the largest national concerns inquiring about this bill. They were just about to establish a warehouse arrangement here in New Jersey. You know these tax services

that are distributed throughout the nation, also distribute the news about New Jersey taxes, and the introduction of this bill alone, gentlemen, has a tendency to impede the influx of warehouse business into New Jersey. As I have said, I hold no brief for tax evasion because that raises my tax bill as a citizen here and everybody else's. But as I said, and I conclude with these remarks, the tools already are available to the tax assessors to strike down those tax evasion cases. Let the assessors with the assistance of their corporation counsel in the various municipalities dig into these cases and try them in the right way and submit the facts to the court or the tax board and I am sure that they can get rid of these non-genuine warehouse arrangements.

I submit to you would the alleged advantages of S-86 be worth the disadvantages which we are certain will result to the warehouse industry and indirectly to the whole business economy of the state to a certain extent? I ask you if the 1925 Legislature was not right in accepting the object of the bill, that any tax lost because of the exemption would be greatly offset by the increase in the rateables as far as real estate is concerned which the public warehousemen would occupy? I earnestly, gentlemen, urge you to recommend the withdrawal of Senate 86. Thank you.

I would be delighted if I can shed any light on this by questions that you may ask which I will try to answer.

ASSEMBLYMAN MATTHEWS: To begin with, a man of your knowledge in the warehouse industry must know that there are a number of abuses going on which have stirred up the antagonism

of a lot of local municipalities. First of all, I noticed you used the word "fictitious warehouse" and that there are methods in existing law to rid us of the so-called fictitious warehouse. But isn't the fictitious warehouse problem just a problem where one manufacturer or processor uses a subterfuge warehouse to avoid his own personal property taxation, isn't that the case?

MR. YAUCH: Yes, generally I would say that is so.

ASSEMBLYMAN MATTHEWS: So in effect he is not a public warehouseman in the first place?

MR. YAUCH: Correct.

ASSEMBLYMAN MATTHEWS: Taking that one step further, there is no definition in existing law of what a warehouse is.

MR. YAUCH: Public warehouse?

ASSEMBLYMAN MATTHEWS: Of what a public warehouse is.

MR. YAUCH: Well, only to the extent, Assemblyman, there is a uniform warehouse receipts act and a warehouse is defined in that act. Now, that is not related --

ASSEMBLYMAN MATTHEWS: -- to personal property ad valorem taxation. I am concerned about a situation that I have heard about frankly - this is just hearsay; I have never seen it - where there are public warehouses in existence that are no more in effect than a vacant lot of land. Doesn't that situation exist?

MR. YAUCH: It depends on the character of the merchandise they are storing. Now if you have lumber, why then, of course, a lot of it is stored out in the open in a so-called vacant lot. However, I know of situations where lumber is stored and it is a

genuine warehouse operation. Lumber comes in from the State of Washington. Some of it comes through the canal and others go around the Horn and it comes to this port. This is quite a distribution center for lumber and it is a genuine warehouse arrangement.

ASSEMBLYMAN MATTHEWS: Well, the point I am getting at is that the argument for exempting the goods located in warehouses, or one of the arguments is the fact that the local municipality brings in taxes because of the increased rateables, the very fact that the warehouse is there, as much as they would if we did tax the personal property located in warehouses.

MR. YAUCH: Especially in view of one of the bills before you today where you limit the personal property tax to 12-1/2 per cent.

ASSEMBLYMAN MATTHEWS: That fact isn't very well true then in those cases where the warehouse is not a structure at all, but just an open lot of land?

MR. YAUCH: That is true. In that situation, I would agree with you.

ASSEMBLYMAN MATTHEWS: In effect, there it would put a burden on the local community.

MR. YAUCH: But, Mr. Matthews, that is a drop in the bucket in the whole public warehouse industry in New Jersey. I only know of one place where goods are stored out in the open and that is lumber, as I said before. And I do know of - well, I believe, conservatively a hundred public warehouses through the state.

ASSEMBLYMAN MATTHEWS: I am sure you appreciate, Mr. Yauch,

that the abuses sometimes get more notoriety than the benefits.

MR. YAUCH: That's right. And you know to some extent the public warehousemen in a very few cases have probably added to their woes by participating in arrangements that shouldn't have been set up for exemption purposes. Gentlemen, this statute is our life's blood because if we don't have it, it's going to - and as I said, I don't think I am exaggerating - seriously adversely affect our business.

ASSEMBLYMAN MATTHEWS: One of the points that has been brought to my attention is the retailer who uses the public warehouse as a subterfuge to escape his own inventory taxation. Do you recognize that as a problem in the warehouse industry?

MR. YAUCH: I can recognize the fact because I have seen instances where goods were stored in an alleged public warehouse, like in this General Electric Case. On whatever the date was - let's say September 1st, the air conditioning and refrigerators were in the back of the manufacturing establishment. On September 30th they were in this alleged warehouse. Now, I recognize as I said, and we hold no brief for that ---

ASSEMBLYMAN MATTHEWS: I am talking more about the retailer now, not the wholesaler or the jobber or the manufacturer. I am talking about the fellow who sells you, let's say, refrigerators.

MR. YAUCH: I have your point, Mr. Matthews. Yes, I recognize that, but may I point out to you that kind of a business arrangement as far as public warehousemen are concerned is a very small part of our total volume. But you are not going to get any tax revenue by trying to plug that up because if the volume of the goods and the value thereof is of a sufficient size

and value, the simple way of avoiding the assessment of personal property tax would be for that retailer if the goods come from out West or wherever they come from, to have them stop off at New York in a public warehouse over there and then as they need the goods when the season comes along, instead of a New Jersey truckman handling it, a truckman from New York City will pick it up at the New York warehouse and bring it over to the retail store.

ASSEMBLYMAN MATTHEWS: I realize there are other loopholes that arise.

MR. YAUCH: It is not a loophole, Assemblyman, it's a fact of life that if they can by storing their goods in New York avoid personal property taxation, which they can do - there is no personal property tax in New York - they will do it.

ASSEMBLYMAN MATTHEWS: You agree that there is a problem that does exist in some municipalities where the retailers are abusing the public warehouse act?

MR. YAUCH: Yes, I would agree to that. But, Assemblyman, I don't think the way to cure the headache is to chop the patient's head off.

ASSEMBLYMAN MATTHEWS: One other point that I have, before you presented your remarks, I believe we showed you a proposed treatment which we have received which would change the definition of the words "held for resale" and I am wondering whether that would change your attitude toward the bill at all?

MR. YAUCH: No.

ASSEMBLYMAN MATTHEWS: May I read it into the record?

MR. YAUCH: Yes, of course.

ASSEMBLYMAN MATTHEWS: (Reading) "Raw materials, work

in process, semi-finished goods, and finished goods of manufacturers, producers and processors held for sale are not held for resale within the meaning of this section."

Would the insertion of that language or language similar to it in the bill cause you to change your position?

MR. YAUCH: No, it would not for this reason: I tried to point out to you already that it is not necessary to adopt any amendment. The abuses can be taken care of by proper attention by the assessors and the counsel for the various municipalities. Number two, under this language goods purchased in wholesale lots which is not manufactured by the wholesaler would become subject to personal property tax. Now there is a lot of business done in this country and throughout the world, export and import, where the original manufacturer never has any contact with the final consumer. He doesn't go in for sales; he doesn't go in for distribution; he goes in just for manufacture of the article and then he sells in wholesale to some company. Now, this language would make such goods subject to tax and it seems to me that that would be discriminatory. You see, warehousing some people say is transportation halted. It is part of transportation of goods, to get it out to the market where the consumer is. It comes to a halt. If it came into this country by ship or if it came across the country by railroad car or truck, whatever it may be, it reaches a certain warehouse just as a halting point and then eventually it goes out into the arteries of trade and business. At that point, taxation should take place. But if you are going to tax it at that point where

it is in the warehouse, I don't think that you are going to accomplish anything constructive and I think you will do damage to our economy in this state to a certain extent.

ASSEMBLYMAN MATTHEWS: Thank you, Mr. Yauch.

SENATOR WADDINGTON: There is one member of this committee here today who is neither a lawyer nor is he conversant with the problems of warehouses. I am sure that in the great County of Salem there isn't one of them. So this problem to me is one I can look at with a great deal of detachment. I wonder how you would feel about this - and I know this was one of the considerations taken into account in the committee - that at the present time there are many inventories not now taxed, the local assessors have decided not to tax.

MR. YAUCH: Even when they are not in the warehouse?

SENATOR WADDINGTON: On the premises of the manufacturers and other organizations. Now, if a bill were passed which would tax or assess at 10 per cent or 12-1/2 per cent all inventories, then wouldn't there be an area for evasion through public warehouses for not the large manufacturer because his volume is too great for that, but for small manufacturers?

MR. YAUCH: Yes, Senator, I can see that there might be an area, but may I point this out: There are certain characteristics in connection with a business. In some businesses, the conditions under which they do business, the market that they are in, the type of the consumer, the time of the year when their market comes into existence, that lends itself to public warehousing. There are other situations where it wouldn't pay a manufacturer in many instances to even consider going into a

public warehouse. The rates in a public warehouse, of course, involve a charge for storage at a monthly rate. In addition to that, you have a charge of the trucker that brings it into the warehouse. Then you have a handling charge when it reaches the warehouse to store it and then when the goods are called out of the warehouse, you have the reverse of that situation, namely, handling and so on. Now to try to answer your question directly, I don't think that you are going to have any great change on the part of these business people who now have their inventory on their shelves or in their back room if the assessors get busy and assess on the basis of whatever the assessment rate would be because the natural characteristics of the business are such that they will either leave it there or else it's in the public warehouse, one or the other. The tax in that situation I don't think would be the motive which would result in its going into the warehouse.

SENATOR WADDINGTON: Well, that leads me to some very rough mathematics which I have been doing here. I gave a pint of blood yesterday so I have been trying to get an evaluation of what you term is the life's blood of this industry and it would seem to me that we are talking about storage of less than a year in most instances, aren't we, on specific goods?

MR. YAUCH: I think generally that is so. May I ask any of our warehousemen here?

SENATOR WADDINGTON: I am just trying to get ---

MR. YAUCH: I think generally that is so.

SENATOR WADDINGTON: I am just trying to get a general range here of what the value of your life's blood is. So if you

assess this inventory which is stored in a public warehouse at 10 per cent, a tax rate of \$10, you are talking in terms of a maximum, if it was stored a year, of 1 per cent of the value. Is that mathematics correct? And if you stored for less than a year, you are talking in fractional portions of 1 per cent.

MR. YAUCH: I was never very good at mathematics, but I'd go along with what you say.

SENATOR WADDINGTON: I have learned lawyers never let mathematical facts interfere with opinions as a general thing, but speaking now of my colleagues in the Senate ---

MR. YAUCH: You have gotten down to the point in your figures where you are asking me whether 10 per cent is not 1 per cent. I think probably that is so.

SENATOR WADDINGTON: Thank you.

CHAIRMAN DUMONT: Assemblyman Farrington.

ASSEMBLYMAN FARRINGTON: Mr. Yauch, as I understand your contention with respect to so-called fictitious warehouses, your contention is that the machinery is available to eliminate that problem if it will be used by the assessors. Well now, specifically on the General Electric Case which fascinated me, the comments you made, did I detect an implication in the language of the court that the decision might have been otherwise if certain investigations had been made and certain facts brought forward?

MR. YAUCH: Yes. I don't know whether I pointed out - I don't think I did and I missed the boat on this - the Supreme Court did not only affirm the Division in sustaining the exemption, but they sent the case back to the Division to take testimony on these points that they said they should consider.

ASSEMBLYMAN FARRINGTON: That was going to be my next question, whether that specific case would go up. Have you anything to recommend because it is fairly obvious to me that some tax assessors are not doing what they should do in many areas - do you have anything to recommend by way of legislation which would require tax assessors to do just what has been done in this case?

MR. YAUCH: Well, I think that that same situation exists in other fields. I am afraid you can't legislate efficiency.

ASSEMBLYMAN FARRINGTON: I am afraid you are right.

ASSEMBLYMAN MATTHEWS: Mr. Yauch, would you furnish us with that statistical information that you said that you might have available to you, if you can?

MR. YAUCH: Yes.

ASSEMBLYMAN MATTHEWS: Would that be too much of a burden to you?

MR. YAUCH: No, not at all. I would be glad to do it.

ASSEMBLYMAN MATTHEWS: Thank you.

MR. YAUCH: Am I excused?

CHAIRMAN DUMONT: Just one minute, please, before you go. Assemblyman Matthews suggested that we read into the record, and I think it's a good idea, four telegrams which have been received this morning, addressed to me, opposing this Senate 86.

The first is from Mr. Lee Beaird, President, Coordinating Committee of the Food Industries at the Port of New York. The text of the telegram is: "We protest removal of tax exemption on merchandise in storage as our industry which is operating at the

present time under serious hardships and handicaps would be materially harmed if Senate Bill 86 were put into effect."

The next one is from Belford L. Seabrook, Seabrook Farms Company: "We oppose Senate Bill 86 proposing remove exemption goods in public warehouses in transit because we cannot compete in the 47 other states" - parenthetically, he must be leaving out Alaska here - "with out-of-state frozen food manufacturers who would not be subject to local taxes in New Jersey."

The next one is from John D. Keefe, Manager, Cumberland Warehouse Corporation: "We oppose Senate Bill 86 proposing remove exemption goods in public warehouses in transit because we cannot compete in the 47 other states with out-of-state frozen food manufacturers who would not be subject to local taxes in New Jersey." I think that is identical with the last one.

And finally from W. B. Clements, Manager, Cumberland Automobile and Truck Company, Incorporated: "We oppose Senate Bill 86 proposing remove exemption goods in public warehouses in transit."

Now, Mr. Yauch, this bill as you know, was originally drawn, proposed - at least, the intention was; maybe it didn't say it clearly - but the intention was that perishable items would continue to be exempt from personal property tax, and likewise so would goods not held for resale which we intended to mean goods that were stored more or less permanently in public warehouses. They also would continue to be exempt. Now, let me ask you a question here just for a clarification of these telegrams: Are frozen foods considered perishable or non-perishable items in the warehouse business?

MR. YAUCH: When they are in the warehouse, they are not perishable, and I think frozen foods are kept in the warehouse for long periods of time, depending on the crops and so on, the size of the crops, and whatever it may be.

CHAIRMAN DUMONT: Is the perishable food business a large item in the public warehouse industry in New Jersey?

MR. YAUCH: It happens, Senator Dumont, that I have not had direct contact with refrigerated warehouses, but I know of one in Newark and one in Jersey City that are quite large. I think most of that -- I'd better not say because I am not directly familiar with it. But I know of one large warehouse in Jersey City and another one in Newark.

CHAIRMAN DUMONT: Now, just one more question, and I can say like Senator Waddington, I don't believe there are any public warehouses in the county which I have the privilege of representing and therefore I can be fairly objective, I think, about this, but one of the things that bothers me, assuming - and I can do this because I believe as many of you do that some of these personal property taxes that we have in New Jersey are basically unsound and costly to administer and perhaps should be replaced - but let's take it the other way: In view of the fact that there is no apparent source of revenue at the present time to do any replacement of them if they were eliminated, then is there a good reason in fairness to continue this particular exemption or any exemption which eliminates certain people who hold personal property either for storage or ownership from personal property taxation within New Jersey? Is that a fair system if you are going to continue to have

these personal property taxes?

MR. YAUCH: I think it is absolutely fair. The purpose of the bill originally, of the present statute when it was considered by the Legislature, was that the Legislature recognized at that time that the over-all benefit that would come as a result of the exemption, namely, drawing warehouse business to the state, not only goods that are eventually sold in New Jersey, but goods that are exported, goods that may go out West or any other place, by encouraging the development of warehouse business, would far offset the loss of revenue on the personal property that might be subject to tax in the warehouse. It's a question of evaluating what is the best for the State of New Jersey. Now, this is not a discriminatory exemption. There is a solid reason why the Legislature in the first instance adopted the law and the courts have sustained the law. If it was at all discriminatory or unfair, the courts would have struck this statute down. They have maintained that in the wisdom of the Legislature, they have a right to balance the common good as against the possible loss of some revenue.

Now, have I gone too far afield? I want to answer your question directly. Then as I said to Senator Waddington before, the type of goods that reaches a public warehouse depends on the characteristics of the merchandise and the characteristics of the business, itself. People are not just going to arbitrarily because they are going to be subject to a one per cent tax move merchandise into a public warehouse. You are not going to have an influx of business into the public warehouses that now represents inventory in the back of the store or in back of

the factory.

CHAIRMAN DUMONT: Well now, isn't it generally true, however - and I am not trying to tie you down with generalities, but simply to help us get at what we hope will be a fair program to everybody in the state - isn't it generally true that in this state where the property tax is the highest of any state in the Nation, when you create an exemption - and I know this one was created a long time ago - or when you expand an existing exemption, somebody else has to take up the burden that formerly was borne by the people to whom you grant the exemption?

MR. YAUCH: That's correct. I said before, it increases my taxes.

CHAIRMAN DUMONT: Right.

MR. YAUCH: But I still submit that whether a business transaction is a good one or a bad one depends on the over-all analysis of it.

CHAIRMAN DUMONT: You may rest assured that certainly everybody on this committee, including those who are here and those who aren't here, will give fair consideration to your viewpoints, as presented, as we will to everybody who testifies before us.

MR. YAUCH: And as I stated in this memo, we would like to present the statistics which I referred to in my statement, and I will send them to you.

CHAIRMAN DUMONT: All right. Any further questions? Anybody in the audience want to ask any questions of Mr. Yauch? Thank you, sir.

Mr. H. Russell Brown, representing New Jersey Manufacturers Association.

MR. H. RUSSELL BROWN: I have a short statement and I will read it. My name is H. Russell Brown. I am Chairman of the New Jersey Manufacturers Association Committee on Taxation.

Once again the Committee on Taxation of the New Jersey Manufacturers Association is grateful for the opportunity to appear before this Committee to present its views on the most recent proposal to revise the assessment laws of New Jersey. Those members of the Legislature who have been seeking out an equitable solution to the assessment dilemma deserve commendation for their tireless efforts. The assignment is a most difficult one because the consequences of any program devised undoubtedly will be far-reaching and therefore should provide for the most equitable distribution of the burden among the taxpayers in the state.

The plan established in the group of bills being reviewed by this Committee today, in general, proposes to carry out the program suggested by the Commission on State Tax Policy as Alternative Number 1 contained in its Ninth Report. Basically, it parallels a similar proposal reviewed by the Senate Committee on Revision and Amendment of Laws last year. The views of the New Jersey Manufacturers Association concerning that program were presented to the Senate Committee on June 30, 1958. They are a part of the record of proceedings of that hearing and need not be repeated in detail here, other than to be reaffirmed.

At the June 30, 1958 hearing we presented information from industry which indicated that the suggested ratios of

40 and 10 per cent on machinery and equipment and business inventories, respectively, were excessive. This applies as well now to the 50 and 12-1/2 per cent ratios contained in Senate and Assembly Bills 81. To the best of our knowledge, the data presented previously to this Committee remain valid, and have been substantiated further in correspondence and during personal contact with industrial establishments which did not participate in our original study. Other developments lend substance also to our contention that sufficient information is not now available upon which ratios of 40-40-10 or 50-50-12-1/2 can realistically be based. Recognition of the problem led to efforts by state authorities in the Division of Taxation to secure more conclusive comparative data upon which to base ratios and, further, the Chief Executive has pointed to the need for more information on the impact of the program, and particularly the tax on personal property.

The adoption of S 81 and companion bills will continue the shift in the tax burden to business and industry now in progress on both the state and local levels. The 50-50-12-1/2 formula will transfer a substantial burden from real estate to business personalty, and business and industry would be required to replace almost one-half of the losses incurred by the exemption of household effects proposed in S 84, and by the increase in veterans' exemptions contained in SCR 23. Additionally, local officials tend each year to place greater emphasis upon the assessment of business personal property as revenue needs become more pressing, and finally, increased revenue from the new levy

on corporate income imposed last year made possible this year a balanced state budget with the claim of no new taxes.

That the tax on business personalty already constitutes a significant factor in our competitive position with neighboring states has been underscored from time to time. Despite contentions to the contrary, the concentration of tax increases on business and industry is certain to have a telling effect upon the competitive position of industry and employment opportunities in our State when other factors remain relatively equal. With an eye focused on long-range development, the possibility of reductions or at least an equitable reapportionment of the tax burden should be reviewed.

As a move in that direction, we recommended previously the exemption of business and farm inventories as well as household effects from taxation. We reaffirm that position. This would eliminate the need for dealing with personal property stored in public warehouses, now being considered in Senate Bill 86. Further, we recommend again a reappraisal of the assessment ratio of 50 per cent on machinery and equipment which we submit is too high.

Business inventories are recognized as a special class of property, and are dealt with accordingly in the plan outlined in S 81. No one can deny that such limitations would be preferable to the present requirement that inventories be taxed on the same basis as real estate. Nevertheless, the retention of inventories in the taxable base does not remove the difficulties in administration, nor the inequities inherent in the process.

On that basis the further delay necessary to develop a much sounder, long-range program could be justified.

On various occasions the Chief Executive has stated his preference for Alternative Number II of the Commission on State Tax Policy, although he has not specified his choice of a replacement tax since the corporate income tax was utilized solely for state purposes. New Jersey Manufacturers Association's program is in substantial agreement with that recommendation, and specifically suggests as a replacement for the tax on business and farm inventories and household goods, a limited sales tax.

Now, that is a short statement and I would like to give a few off-the-cuff comments as I consider it as an industrialist. Any intelligent management or tax man is going to look at his tax problems or their tax problems in the State of New Jersey on a total basis. We hear a great deal of talk about New Jersey being a property-tax state and the real crux of the problem on the taxes in New Jersey is really the personal property tax. As we consider our relationship with other states - I normally don't like to talk about the 48 or 49 states that we have because we are really competing with our neighboring industrial states. I have been saying this and I am going to keep saying it that New Jersey has the dubious distinction of being the only state of the 49 that has a corporation income tax without a broad-base tax. That is an expensive proposition. One legislator has told me that the normal situation that a state getting a broad-base tax normally gets a tax on corporate income first and then a broad-base tax

follows along. I don't go along with that suggestion and I think we are hurting ourselves as long as we postpone a broad-base tax.

As you compare the New Jersey tax situation with the States of Pennsylvania and New York and one of you gentlemen suggested including the State of Delaware, I think you will find that our position has declined in the last year. I would like to see the State of New Jersey's position in dealing with industry substantially better itself and it would appear to me that this 50-50-12-1/2, as proposed in S 81 has some elements of chance in that it is what I would call an experiment because we want to see how the effects turn out. Normally when legislation gets on the books, it is quite difficult to get it changed. In S 81, I don't find anything that says at the end of one year, for example, that we must study the bad effects on business. I can't help but recommend that we have the good judgment and, if it requires outstanding statesmanship, that we go ahead and right now do away with the tax on business inventories and household goods and farm goods and get a replacement tax. And so that we are not misquoted, we are talking about a limited sales tax as a replacement tax only, and do it now without a year or more of experiment on the basis as proposed.

CHAIRMAN DUMONT: Any questions of Mr. Brown? Assemblyman Farrington.

ASSEMBLYMAN FARRINGTON: Mr. Brown, you have first suggested that we possibly don't have a sufficient amount of information available to us now to really recommend this legislation.

I notice on the second page of your statement, you conclude, in spite of that fact, that business is going to pick up one-half the losses incurred by certain exemptions. Do you have some information that is not available to us?

MR. BROWN: Yes, we do, and we submitted that last June. That is on the basis that the corporations are paying about, I think, 50 per cent of the tax. It's a little bit less, between 40 and 50 per cent. So that that is a good solid figure; almost one-half we are saying. It is something in excess of 40. We did submit a study last June which was based on a review of 175 - so that you would understand, we actually solicited our membership to ask them if they would look at the effect of these bills. I think that the statistics that we have provided were really about as much in the way of statistics as you obtained. The Department of Taxation I think was hopeful of getting some information on the new forms that we are going to fill out in the next month or two, but that comes in a little late and I am not so sure that the answers will be available.

ASSEMBLYMAN FARRINGTON: But you suggest that we need more information and you have now said that you have given us about the best information that is available.

MR. BROWN: I would say that that is the responsibility of the people proposing the laws to get the information to see what the effect is. Now, we submitted last June that there would be a substantial transfer or shift of the tax burden to industry and we still submit that that is the case. I hope that we are not in the unfortunate position of having to come back at some later time and saying, which we always hate to do and I hope you

do too, "I told you so."

ASSEMBLYMAN FARRINGTON: Now, I gather that you feel that the proposed legislation would result in a tremendous shift to industry. You suggest we don't do that, but you do make certain suggestions which I think will result in a tremendous shift from industry to real estate - to home owners. Is that what you are recommending today?

MR. BROWN: Well, I can't say that I will agree that that is a big shift. People have the idea - maybe it is from propaganda - that business doesn't pay a sales tax. I can assure you that business does pay a sales tax, and finally, in addition to that, has the burden of collecting it. So that while there would be a shift - as an example, I think Senator Dumont probably has the figures there, the tax on inventories produced, I think it was in '57 about \$51,000,000, was it?

CHAIRMAN DUMONT: Well now, Dr. Miller can check me on this, but I thought in '58 it was about \$45,000,000, is that right?

MR. BROWN: About \$45,000,000. Doctor, what is the difference between that on business inventories and that on household goods? I think household goods we speak of as being \$17 or \$16 million. Do you know the difference between the household goods and the business inventories?

DR. WILLIAM MILLER: Well, business inventories alone were about \$31,000,000 in 1957. I don't have the figures for 1958.

MR. BROWN: So we are giving up \$17,000,000 in household goods and business is paying at present \$31,000,000.

We propose that all of those be eliminated and there would be some shift in the tax burden. I would hope that the shift in the tax burden - and I am going to be honest about it - would be in favor of business and I think that is good for the long-range program in the State of New Jersey.

ASSEMBLYMAN FARRINGTON: One more point for clarification: You attribute part of the shift to the suggested increase in veterans' exemptions. Now, this suggested increase in the veterans' exemption is merely for the purpose of maintaining the value of the veterans' present exemption because of the general increase in the rate of taxation. Now if that is so, and I think it is so, that can't contribute to a shift of the burden of taxation to industry, can it?

MR. BROWN: We don't have too strong feelings on this veterans' exemption portion. That shift is what, from \$500 to \$750? Whether that is the exact proportion of the shift, I don't think that anyone is in a position to say. That one we don't have too strong a feeling on.

ASSEMBLYMAN FARRINGTON: The point is this: It is not intended to result in veterans paying less taxes; it is intended to result in their not having to pay more. So actually, there is no shift.

MR. BROWN: Well, if it is intended that the veterans don't have to pay any more, someone has to absorb \$17,000,000. So if they do not, it finally gets down to the other taxpayers. There is going to be a shift under any basis and we would hope that it would be a good shift.

CHAIRMAN DUMONT: Any other questions? Mr. Arnold.

MR. JAMES A. ARNOLD: The only thing I was trying to do was to correct the estimates on the personal property.

CHAIRMAN DUMONT: Yes. Let's have those accurate. For 1957, what were they, Mr. Arnold?

MR. ARNOLD: Well, the inventory was between \$30 and \$31 million and it was about \$31 or \$32 million that was on the business property other than the inventory.

CHAIRMAN DUMONT: Well now, that \$30 or \$31 million was for 1957, is that correct?

MR. ARNOLD: Yes.

CHAIRMAN DUMONT: Now, do you know what they were in 1958?

MR. ARNOLD: Well, the '58, is about \$31; '57 was about \$29, almost \$30.

CHAIRMAN DUMONT: That is on inventories alone?

MR. ARNOLD: That's right.

CHAIRMAN DUMONT: Now, what are your figures on household goods and furnishings for '57 and '58?

MR. ARNOLD: Well, they didn't change very much. They are just a little short of \$18 million.

CHAIRMAN DUMONT: Both years?

MR. ARNOLD: Yes.

MR. BROWN: I might say on that, Senator, I think it was in the Ninth Report, a one per cent limited sales tax would just about exactly offset the tax on the inventories combined of business, household goods and farm goods.

CHAIRMAN DUMONT: Well then you mean, inventories plus the household personalty and farm personalty, but you are not

including any business machinery and equipment in that, are you?

MR. BROWN: No, we are not.

CHAIRMAN DUMONT: How much did that bring in last year, Mr. Arnold, business machinery and equipment, '57 and '58?

MR. ARNOLD: I don't have the numbers here, but it is approximately between \$32 and \$33 million.

CHAIRMAN DUMONT: Both years?

MR. ARNOLD: It went up just about half a million dollars, I believe.

CHAIRMAN DUMONT: In '58?

MR. ARNOLD: Yes.

MR. BROWN: We are not asking that those be exempt.

CHAIRMAN DUMONT: Senator Waddington.

SENATOR WADDINGTON: Mr. Brown, I have a question and also a comment. We have tried to check out down in our county what these household exemptions mean in terms of the \$17 million figure that is bandied around, and we sort of conclude generally what you have concluded that we don't have enough exact information on this and a number of other factors. You are concerned with a shift and you state there will be a shift in burden from the homeowner, which is the way the legislator thinks of it, to business. Some legislators are convinced that it will mean a shift in the opposite direction and this worries them a great deal as the people who have to run for public office.

My question to all of us is: How in the world can we improve the information? This is, I think, a question which a number of us have which might hold up these bills, if nothing

else did. We are just not sure of our information. How can we improve on the information?

MR. BROWN: I would say that our committee on taxation would be glad to cooperate to get more information. I think that on the tax form, the corporate income tax form, there was going to be included some questions - and I don't know whether it is going to have them on; I haven't seen the forms yet - about the availability or chance to provide that information. That would still only get it from the corporations. One thing I can't help but worry about, I think it is S 84, it says there we are going to do away with the tax on household goods over a period of three years. Yet, I think in S 81, my interpretation is that the assessors must, at least during this three-year period, use the 12-1/2 per cent or is it 50 per cent - I guess it is 50 per cent basis in assessing them during this three-year period. I'd like to submit to you that that is going to be chaos during this three years. I am talking now about the tax on household goods. There are a lot of communities in our state that don't tax household goods at all. So that if this three-year period forces them to go after them on a 50 per cent basis, I can't see anything but complete chaos in the assessing business.

ASSEMBLYMAN MATTHEWS: Mr. Brown, listening to this banter back and forth about information and raw data, brings to mind that meeting that the joint committee had one hot morning last August where this program almost came to a screeching halt, if I might use a trite phrase, because there was a

belief on behalf of some of the members of the committee that there wasn't enough raw information and we immediately began to explore ways of obtaining the raw information. And I remember talking to Bill Kingsley who is sitting up there in the balcony now about the possibility of adding some sort of a schedule to the tax returns that were going to be filed this year under the new corporate income tax and we even held out olive branches of secrecy and peace and prosperity under those returns if the people would only go along. I remember that industry here in the state was in the vanguard of those who opposed it quite volubly. And I think by reason of the fact that we found that there would be no raw information available in the near future, that is the reason we went ahead. I think that we find this business personal property tax and inventory tax is sort of walking in the dark a little bit because we have no other way to walk. There is no candle. I wouldn't blame it on the legislators too much, Mr. Brown.

MR. BROWN: Well, I would like to say that I happen to work for a company that is a substantial taxpayer. I work for the Roebling Company here in Trenton and we get a tax bill which includes a tax on real estate and one on personal property. Now, Mr. Arnold has submitted some figures and knowing him, I know that they are right, as a split between the tax on inventories and the tax on machinery and equipment. I pay our company's taxes and they are 10 per cent of all the personal property taxes in the City of Trenton and I don't know the split between inventory and machinery and equipment. While the assessor, I think, is charged with the responsibility of keeping a list or a

memorandum of the split between those two taxes - and I guess he gives it to the County Board - the taxpayer unless he goes and asks for it, doesn't even get it. So the problem is much worse than any of us realize or think about in connection with this split between machinery and equipment and business inventories. Now, there may be an answer to that, but if our company doesn't know, there must be an awful lot of other companies in the State of New Jersey that don't know.

ASSEMBLYMAN MATTHEWS: Well, that may be true, Mr. Brown, with respect to your tax bill. But the point I was trying to make is that this committee made a real attempt last summer to get raw information and we found the doors closed to us.

MR. BROWN: Well, that wouldn't have been available until next year anyway, Assemblyman. We have been furnishing statistical information on our franchise tax form ever since the bill has been in. Now, Mr. Kingsley could probably straighten us out on that. We have been supplying some information on there and I am assuming that the State Tax Policy Commission used some of that statistical information in preparing the Ninth Report.

SENATOR WADDINGTON: Mr. Brown, this is a difficult question. It is a tough problem, but it is one that sometime or other we as legislators and consequently we, the people, have to face. I am not trying to put words in your mouth, but I am confused and I want to see if this is a reasonable statement of what you have said. If I get your position at the minute, you feel that we do not know the facts.

MR. BROWN: That's correct.

SENATOR WADDINGTON: You state that on page one. And, therefore, your position is that you are opposing a formula which on the basis of the fact that we don't know facts, in itself will be possibly erroneous. So you are proposing that because we don't have facts, we use a formula which can be completely erroneous and impose a sales tax and spread the return from a sales tax into a situation in which we don't have enough facts to make a decision on. This seems to me to be a strange position. If you had stopped when you said "We don't have enough facts; therefore I don't know" - that's the position I feel I am in at the moment.

MR. BROWN: Well, I hope we are making a constructive suggestion in saying that we would like New Jersey to get in a competitive position with New York and Pennsylvania who do not have a tax on business inventories. So I hope that that is a constructive suggestion. And I am also submitting that it will help us attack this problem, which we agree and we know that your committee has just done everything possible working on this very difficult problem, and we are not trying to be critical. We are saying that if we get away from the tax on business inventories, which is a constructive step, then we can feel our way along and find out if the tax on machinery and equipment should be at a different basis than the two that are presented, that is, 50-50 or 40-40. Now that may be a lefthanded answer, but I think it is a constructive suggestion.

SENATOR WADDINGTON: It is a lefthanded problem; I know that.

CHAIRMAN DUMONT: Mr. Brown, you recommend I take it

from page one that 50-50-12-1/2 is not as preferable to you as 40-40-10 would be. Yet you recognize over on page two that no one can deny that the limitations would be preferable to the present requirement that inventories be taxed on the same basis as real estate. Now, we all recognize that under the Switz Case, assuming - and lawyers disagree on this - but assuming that it was intended to lay down a mandate for all municipalities in New Jersey and not just Middletown Township - and that is where the disagreement arises - assuming that was so, we all recognize that the mandate applies to personal property as well as real property and that actually effective January 1st of this year personal property under that pronouncement should have been - it wasn't - but should have been assessed at 100 per cent the same as real property. Now, recognizing that as you do here, do you think that you have any better information on 40-40-10 than you do on 50-50-12-1/2 or do you think the information is weak on both formulas and, if you do, what do you propose in place of it?

MR. BROWN: I don't say that I prefer 40-40-10 over 50-50-12-1/2. In fact, I really don't care too much whether it is 40 or 50. And I think you probably picked out 50 because you can divide by two and get half. Whether it is 40 or 50 I really don't care and I don't think that our committee does on that. The 10 per cent we submitted was too high. The 12-1/2 we think is too high. And I think in our June 30th presentation we brought out the fact there are some industries - and we are not fighting the battle for any particular groups - and if I recall we mentioned, I think, the electronic industry and the chemical

industry - that this change or this shift in burden could just be disastrous. In a community that has high personal property taxes in the past, really the chance of it making much of a shift is much less than in a community that hasn't been using the personal property tax assessments to a great extent. You take a community - and there are some in our state that haven't been using these personal property taxes at all - there is going to be a terrific shift in those communities and I think we should be wary of that.

CHAIRMAN DUMONT: All right, now you say that you are in substantial agreement with the recommendation of the Governor, which in turn was based upon Alternative Number II of the State Tax Policy Commission, which, of course, was 40-40, and then the elimination completely of the business inventory tax with a recommendation for a replacement from a brand new source of revenue, a broad-base tax. Now, inasmuch as we don't have that broad-base tax for replacement purposes, with these amendments that you have suggested here, are you substantially in agreement with the program outlined in these bills?

MR. BROWN: I would say that this is a good step forward and it is certainly, and we have tried to say it, a lot better than this problem that we could have of having 100 per cent assessment. But we also are suggesting that we think there is a better program, as we have tried to outline. But this work that you have presented in S 81 can't help but have a lot of good effect and whether it can be delayed until adequate information is available, I don't know.

CHAIRMAN DUMONT: That is what bothers us in view of

what the Supreme Court has had to say on the problem too. In any event we too want to get the best and fairest program we can and that is why we are all gathered here today and may have to be another day or two as far as that goes.

MR. BROWN: Is it possible to write in such a bill as this, that the results must be reviewed at the end of a year because unless the Legislature or some group is forced to look into the results, none of us are going to be looking into them, except maybe we will be down here screaming a year from now. I would like to see some way, if that is going to pass, that the effect on it be investigated.

CHAIRMAN DUMONT: Well, except that I would have to amend your original statement that the study should not just be with the effects on business, but should be with regard to the effects on everybody.

MR. BROWN: That's right. I agree on that.

CHAIRMAN DUMONT: Any further questions? (No response.)

Now, it is about time to recess for lunch, but I wanted to ask Mr. Wilson whether you want to go on before lunch. We understand you will be quick.

MR. WILSON: I can assure you I will be quick.

CHAIRMAN DUMONT: Russel T. Wilson, assessor of Englewood, New Jersey, and also representing the State League of Municipalities here this morning.

MR. RUSSEL T. WILSON: My name is Russel T. Wilson, Tax Assessor, Englewood, New Jersey, appearing as Chairman of the Tax Study Committee of the New Jersey League of Municipalities.

I want to commend the committee with all heartiness for

its assiduous devotion to the subject of taxation and I realize how extremely difficult this has been. Necessarily the short notice of this hearing, following the publication of the bills, has prevented my committee from reaching any conclusions with respect to these bills. I might point out that I hope this demonstrates our open mindedness since we do not just choose to reiterate the position we have taken hitherto.

I would respectfully request the privilege of submitting a written statement to the committee or appearing at some later date if further committee meetings are held.

If I may, I would take the privilege of making one comment with respect to the subject of veterans' exemptions which has been discussed here this morning. As a man on the firing line, I think I can say this: I regard the veterans' exemptions as an unknown quantity. I find that they are constantly appearing. As we assess new household personal assessments, for example, a new veteran appears to claim his exemption which he had not hitherto requested because there was no occasion for it. I am personally regretful that our exemption of veterans did not confine the benefits to residents of the State of New Jersey. But since it does not, I see no way that we can measure the full impact of the veterans' exemption either at \$500 or \$750 at this time. And I would urge in that particular respect that we do go slow on changing the veterans' benefits. Thank you. If there are any questions, I will be very happy to answer them.

CHAIRMAN DUMONT: Assemblyman Matthews.

ASSEMBLYMAN MATTHEWS: Mr. Wilson, I thought when you were talking about veterans' exemption, that you were talking

about raising it to the figure of \$750. I think rather than comment on that, I will read a letter that Senator Dumont received and a copy of which was sent to me from the Municipal Assessors Association of Essex County. (Reading) "It has come to the attention of the Association that a public hearing is to be held in Trenton on February 11th on a bill to increase the veterans' exemption from \$500 to \$750. Our Association would like to go on record as opposing any legislation that would create assessments in multiples of less than \$100. This stand is in line with the directive by our Essex County Board of Taxation that all assessments are to be made in multiples of \$100."

MR. WILSON: I would certainly subscribe to that, Mr. Assemblyman.

ASSEMBLYMAN MATTHEWS: Mr. Wilson, I hope that at our next public hearing if you do have your written statement ready, you will come back and appear personally because we would like the benefit of your advice.

MR. WILSON: Thank you very much, Assemblyman.

CHAIRMAN DUMONT: You agree then that any increase, if there is to be any in the veterans' exemption, should be in multiples of \$100?

MR. WILSON: Yes, because it is a grave administrative problem if you have an odd tax rate like \$7.99 to begin to multiply it by odd figures. It becomes fantastic.

CHAIRMAN DUMONT: Now, we have also heard, or I have, from Mayor James Kelly of East Orange along the same lines, that he would like to have it in multiples of \$100 if there were to

be any increase.

Now, this question arose the other day, Mr. Wilson, and maybe you can straighten us out on it. It was suggested by one of the members of the Senate that we ought to sit down with assessors generally. Now, that is pretty difficult when you have so many municipalities. When you make your statement - and we would like it if you could actually come back to the next hearing which might be as far as two weeks away - will you be speaking on behalf of the majority of the assessors in New Jersey or is there any way that we can actually get together with them in, say, one meeting?

MR. WILSON: Senator, I would not be authorized nor would it be possible for me to speak for a majority or even a substantial segment of the assessors of the state since I am no longer an official of the State Association. I will be speaking, when I return, on behalf of the League of Municipalities or, more specifically, the Tax Study Committee thereof. My Tax Study Committee, however, does include the President of the State Association, the President of the Finance Officers Association of the State, and one or two other well qualified individuals. At the moment I can't suggest how you could obtain the reaction of a majority of the assessors very candidly.

CHAIRMAN DUMONT: There is no practical way of doing it?

MR. WILSON: I can't think of one. I see the President of our Association sitting over there and maybe I could ask him to give it some thought, Mr. Berenotto, assessor of Atlantic City. Do you have any idea how we could present a reaction of the majority of the assessors of the state to this committee?

CHAIRMAN DUMONT: I might add it was the Senator from Atlantic who raised this question.

MR. BERENOTTO: We do have a Tax Study Committee of our own and we are working on these bills at the present time.

MR. WILSON: But we are working on these bills from the standpoint of the League of Municipalities essentially as distinguished from, not separated from, but as distinguished precisely from the assessors' problem. I will do my best to try to come up with a suggestion for you, Senator.

CHAIRMAN DUMONT: But you will be speaking on behalf of the Tax Committee of the League, which is, of course, much broader in that it includes not only assessors, but collectors, mayors, councilmen, commissioners and so forth.

Let me ask you one more question as an assessor: Do you feel that we have come to the point in the administration of the property tax in New Jersey where it is desirable to hold any exemptions that now exist at an existing level, without necessarily creating brand new exemptions in any category?

MR. WILSON: As an assessor I hold rather drastic ideas with regard to exemptions. I would personally abolish them all. I don't know that that is a very practical viewpoint to hold, Senator. But I very candidly feel that many of the exemptions that now exist on our books should be abolished and I am thinking very frankly of religious exemptions. There is competition as between religious organizations now in their real estate holdings.

CHAIRMAN DUMONT: You undoubtedly realize there is a lot of popular feeling at the moment that there should be created, perhaps, an exemption for older citizens, say 65 years of age

and above, who are extremely troubled with higher and higher property taxes in the state because they are trying to get along on fixed incomes or pensions. Would you extend your feeling in regard to all exemptions to that field?

MR. WILSON: Well, as I walked down here, Senator, I was considering introducing myself also as an unofficial lobbyist on behalf of taxpayers generally throughout the state. I have developed a great deal of sympathy for the plight of all dwelling owners in this state. Actually taxes are becoming almost confiscatory in many instances. In my town a dwelling which has a current market value of \$20,000 on the basis of my official ratio would be assessed at about \$6,000 and that multiplied by our current tax rate of \$8.45 means that it pays taxes of something over \$500 a year. Now this, of course, is not self-sustaining in a sense if there is one school child in that house. Then it is, of course, not self-sustaining. But these taxes are becoming prohibitively high for residential taxpayers and I am inclined to think, personally, at least, that I will give favorable consideration to an exemption for persons of 65 or more. I could even be persuaded, while it might constitute one form of classification, that there should be a homestead exemption applying to all residential owners.

ASSEMBLYMAN MATTHEWS: I wish you would look at Assembly Bill 418, Mr. Wilson.

MR. WILSON: I shall do that, sir.

CHAIRMAN DUMONT: Any further questions? (No response.) Then, Mr. Wilson, you will come back at the next hearing with your statement.

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CHAIRMAN DUMONT: Any further questions? (No response.)
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MR. WILSON: I will.

CHAIRMAN DUMONT: Fine. Thank you very much.

At this time we will recess until 2:15 for lunch.

(Recess for Lunch.)

AFTERNOON SESSION

SENATOR WAYNE DUMONT(THE CHAIRMAN): Before we resume with this afternoon's witnesses, there are two questions here that were submitted by Mr. Norman L. Ivins of Cream Ridge, New Jersey. I'm going to attempt to answer them but I would like for our experts to pay strict attention so that I don't mess it up.

The first one: "If you do not have a tax on household goods, us veterans will at least get all of our exemptions. In our township we are assessed for household goods but get no exemption on it as the non-veteran, regardless of the two different status."

As I understand the situation in that township, the Assessor, according to this gentleman, does not grant the \$100 exemption which is supposed to extend as an exemption to all household goods for everybody in the township. The veterans, of course, get \$500 more, which makes a total for them of \$600, usually in most municipalities.

Now, Dr. Miller, doesn't the legislation require that every owner of household goods gets \$100 exemption; that is, all the non-veterans, or is that a matter of option on the part of the local assessor?

DR. MILLER: It is all the same under the legislation, but what the assessor does, I don't know.

CHAIRMAN DUMONT: Well, is the assessor allowed, under the legislation, not to grant the \$100 exemption?

DR. MILLER: No.

CHAIRMAN DUMONT: Mr. Kingsley? This is William Kingsley, Director of the State Division of Taxation.

WILLIAM KINGSLEY: The matter of the exemption to be given

to veterans for household goods was recently submitted to the Attorney General and he ruled in an opinion that was handed down within the past month that the \$500 exemption to which a veteran is entitled, and which he can offset either against his personalty or his realty, as the case may be, is in addition to the \$100 exemption to which he is entitled on household personalty, so that a veteran in an appropriate case could get a \$600 exemption.

CHAIRMAN DUMONT: Well, now, let's take the non-veteran. Doesn't the law require that every non-veteran in a municipality get the advantage of the \$100 exemption?

MR. KINGLSEY: That is true.

CHAIRMAN DUMONT: So that if an assessor, therefore, is not giving the non-veterans \$100 exemption, then he is not complying with the law. Is that correct?

MR. KINGSLEY: That is true. It is not optional with the assessors. The law requires that every property owner gets a minimum of \$100 for household property exemption.

CHAIRMAN DUMONT: And that should be entered, of course, right on his tax bill when it is sent to him.

MR. KINGSLEY: That is true. Usually tax bills for household personalty contain an assessed valuation for the household personalty and a statement - exemption \$100, and then the balance.

CHAIRMAN DUMONT: Now, the veteran, of course, after he claims his \$500 exemption and takes in a certified copy of his honorable discharge, and so forth, then he gets the \$500 too. Is that right?

MR. KINGSLEY: He gets \$500 on top of the \$100, provided, of course, that he has not received any portion of that \$500 on any other property, real or personal, that he owns.

CHAIRMAN DUMONT: Thank you, Mr. Kingsley.

Here's another question: "There is talk of a 20 per cent assessment on usable farm machinery. This would be a little rough on the young farmer just starting out and using second-hand machinery; also on us older farmers who don't want to invest in new machinery. With that 20 per cent raise, we could actually be paying 100 per cent of its real value. In our township the little fellow is paying from 40 per cent to 100 per cent, while the big operator has from 4 per cent to 10 per cent at the present time."

I believe what the gentleman was driving at here is that it wasn't clear, at least in the story as to this 20 per cent floor that we placed in Senate and Assembly 81 - and I want to be checked carefully on this to make sure I explain it right. When business machinery and equipment is depreciated for federal income tax purposes, this bill would require a 20 per cent floor; in other words, no matter how much you could depreciate the machinery and equipment for income tax purposes, you could never get its cost - book value cost less depreciation; you could never get its cost to the owner depreciated below a 20 per cent floor. Then you would apply the 50 per cent assessment, if it's business machinery and equipment, to that 20 per cent floor, which would, in the final analysis, make for a 10 per cent assessment. Is that correct, Dr. Miller?

DR. MILLER: I think the statute implies that the tax is 10 per cent. Actually the 10 per cent of cost is the assessed valuation of that property and if it is a district where, let us say, the tax rate is ten dollars, it would really be one per cent

assessed tax on its cost.

SENATOR WADDINGTON: One-tenth of ten.

DR. MILLER: One-tenth of ten, we agree is right.

CHAIRMAN DUMONT: Mr. Kingsley, do you want to add anything to that?

MR. KINGSLEY: No, sir.

CHAIRMAN DUMONT: So that what this man was worried about is that actually, no matter how long farm equipment and machinery had been used, it would still be assessed at 20 per cent, and that isn't right.

The next witness is Mr. Henry W. Peterson of the South Jersey Port Commission.

MR. PETERSON: Senator Dumont and your associates, I appear here as the Secretary of the South Jersey Port Commission, which is an agency of the State of New Jersey.

In 1928, the Port Commission entered into a contract with the City of Camden to bill the Camden Marine Terminals at the foot of Beckett Street in Camden. We have a five million dollar capital investment in that enterprise and we there provide the facilities for the interchange of water borne commerce and land commerce. We are public warehousemen in a sense that the goods do go into the warehouses or in the storage yards in the case of lumber or ore and then eventually move on to their final destination.

Since the newspaper releases of the proposal to assess property in storage at 12-1/2 per cent have been circulated throughout all the United States Chamber of Commerce members, and so on, we have had customers withdraw their goods from our warehouse just because of the potentiality of this bill

passing. They don't wait to see what the Legislature is going to do. Specifically, the Gillette Razor Company, which is one of our large accounts, store an enormous amount of razors and blades in anticipation of Fathers' Day, in anticipation of Memorial Day, the Fourth of July, the World Series, Christmas, and so on, and, believe you me, they have just pulled out. They have taken every doggoned razor blade out of our terminal. Now, they didn't wait to see what was going to happen.

We have been working for four and a half years with a very large national organization which requires, for us to accommodate them, the acquisition of six and a half acres of land north of Clinton Street, in which we will have an investment of about \$250,000, and the lease is drawn, the agreement to purchase from the railroad - it took us four and a half years to get the railroad to say they would sell it, but when they were promised \$150,000 a year in freight by this potential customer, then they agreed to sell at the valuation of the New Jersey Railroad Assessing Board up the street here, and we agreed to buy. Now that is stymied. They say, "We're not coming to Camden if we're going to have a 12-1/2 per cent assessment on goods in transit, in storage." Now, that goes for others.

We have another very, very large customer, the largest customer we have, that ships in from California via the Panama Canal and they are storing their product in California awaiting the result of this S-86. They are not going to ship it into Camden only as they need it, and if it comes in, of course it will go right out; we won't get any storage on that at all; it will just move right through into free time. Every cargo that comes in has five days' free time to remove it from the

facility without any storage charge whatsoever. It only goes into storage if it exceeds the five-day free time. So we are vitally interested in maintaining this status quo on exempting goods in transit.

CHAIRMAN DUMONT: Then, in other words, you want the present exemption as it exists in New Jersey law today continued. You don't want any exceptions made.

MR. PETERSON: That is correct.

CHAIRMAN DUMONT: Are there any other questions?

This proposed amendment to the bill that was read off this morning by Assemblyman Matthews, I will read again and see whether it will make the bill any clearer or any more palatable in your situation if the bill were amended to read: "Raw materials, work in process, semi-finished goods and finished goods of manufacturers, producers and processors, held for sale are not held for re-sale within the meaning of this section."

In other words, all those things, as I understand this, would continue to be exempt.

MR. PETERSON: We have finished products; for instance, RCA televisions and radios, and so on, that come in for export, so they wouldn't be exempt according to that amendment you just read, I don't believe.

CHAIRMAN DUMONT: Well, the best way is to let the draftsman of this, Dr. Miller, explain it to you, I think, and then see whether it would make any difference to the situation.

DR. MILLER: Well, I think you have explained it very well, Senator, but I was going to ask, if these goods are in transit, in the process of export, aren't they exempt from taxation by the State of New Jersey in any case,

regardless of what our statute says?

MR. PETERSON: Well, you are relying on the commerce clause of the United States Constitution and the Supreme Court decision on that matter, but there are goods that don't come in that category; for instance, Campbell Soup products come in from California, the raw product - tomato paste - and it comes direct to our terminal until it is finally delivered to the Campbell Soup Company or Seabrook, or Pritchard, or the rest of the canners of southern New Jersey.

Now, we also have the only facility on the East Coast, with the exception of Baltimore, that handles nitrate of soda, which is something that all the farmers use as a fertilizer material, and that comes from Chile. Now, the Chilean people raise the question, "Well, we'll make the farmer buy it down in Chile and he'll pay the transportation cost and then he'll pay the hauling cost." Well, there just wouldn't be any nitrate of soda going to the Port of Philadelphia if we didn't have that facility. Now, the only reason we are the ones who have it only, and not on the Philadelphia side of the river, is because we built a special facility that meets the requirement of the safety code of the United States Coast Guard. There isn't any other physical structure in the Delaware River capable of handling nitrate of soda safely. We've handled it for 27 years.

CHAIRMAN DUMONT: You don't think, then, that that would improve the bill in any way, that amendment?

MR. PETERSON: No, I don't think it would, not in our case. Now it may in some of these other Jersey warehouses but it wouldn't in our case. It wouldn't in Port Newark. And if this S-86 goes through, the Port of Trenton will close up, because

their only revenue is from storage. They have an insufficient channel depth to permit any deep vessels to come into Trenton now - they will have it in five years from now - so they had to depend on barge transportation at Trenton and their only revenue is from storing goods in the transit facilities, which should really be kept fluid for incoming cargo and outgoing cargo, but they are loaded up, and I don't blame them - they have to live.

DR. MILLER: May I ask, Mr. Peterson, isn't the goods you have just described all goods of a manufacturer, a producer, or a processor?

MR. PETERSON: With the exception of lumber. I wouldn't put lumber in that category.

DR. MILLER: You hadn't mentioned lumber. But all this other, it seems to me, would be in the category of those three, would it not? Nitrate of soda--

MR. PETERSON: We have ilmenite ore from Africa which comes in to the Camden Marine Terminals and is finally used in Bound Brook or Gloucester.

DR. MILLER: At the time it's in the Terminal, though, it's either owned by the consignee, which would be the chemical firm, that's the processor, or it's owned by the producer, so it would fall within that definition.

MR. PETERSON: Well, I don't know whether I'd put that in that definition or not - it's not manufactured; it's a raw product.

DR. MILLER: The definition includes raw products. Of course, you don't have it before you, but it does.

ASSEMBLYMAN MATTHEWS: Do you want me to read it again for you?

MR. PETERSON: Yes.

ASSEMBLYMAN MATTHEWS: (Reading): "Raw materials, work in process, semi-finished goods and finished goods of manufacturers, producers and processors held for sale are not held for re-sale within the meaning of this section."

MR. PETERSON: That's right. None of our materials are held for re-sale. They are the original producers or the original owners. They are not there for re-sale; they are there for the initial sale.

CHAIRMAN DUMONT: Well, then, this language would exempt all of those goods, would it not?

MR. PETERSON: I would think so. I don't know.

CHAIRMAN DUMONT: It would seem so to me.

MR. PETERSON: I wish the legal advisers of the people we do business with throughout the 49 states and the foreign countries--

CHAIRMAN DUMONT: Well, they haven't read the amendment yet.

MR. PETERSON: No.

CHAIRMAN DUMONT: Any further questions? Thank you, Mr. Peterson.

Mr. Lowry, Delaware Valley Warehouse Company. Is Mr. Lowry still here? (No response).

The next one is Robert E. Moore, Manning's Warehouse Corporation, Trenton. Is Mr. Moore here? (No response).

Mr. S. H. Hann, Jr., Anchor Warehouse Company. Mr. Hann? (No response).

Mr. Haarwaldt. It looks like Erv. Haarwaldt - Pierce Van Lines. Is he here?

MR. YAUCH: I think with reference to those people who

were interested in the warehouse trucking industry probably they felt that with our statement and the remarks that I made, it covered the ground. At least, I hope they felt that way.

CHAIRMAN DUMONT: Thank you, Mr. Yauch.

DR. MILLER: You were a good advocate, Mr. Yauch.

CHAIRMAN DUMONT: He certainly was.

I will call Mr. Stuart Hartung. I might say that Mr. Hartung represents a group of citizens from Warren County, and I am very happy to see him here, even though I may not be completely happy to hear all he has to say.

MR. STUART HARTUNG: I represent the Citizens Group. I would like to make a statement for myself first. It is my opinion that along with the privilege of voting should go the privilege of supporting in a direct way that for which we vote and believe.

Now I have here a statement, to which there are 373 signers, citizens mostly of Warren County. This statement says: "We, the undersigned, taxpayers in the State of New Jersey, hereby express our disapproval of any change in the present law regarding the taxing of household goods."

CHAIRMAN DUMONT: Do you want to comment further, Mr. Hartung? You may say anything you like.

MR. HARTUNG: I might say that in my opinion, as well as in the opinion of most of these people, the household goods tax cannot be replaced, for the fact that we can charge a man three cents a day and he doesn't know it, but if at the end of the year we should send him a bill for \$10 tax, he jumps up and down and says he's being persecuted. And when he does that, he's a

good citizen, because he is particular how he votes from that standpoint.

SENATOR WADDINGTON: Mr. Hartung, I had a public meeting down in my county with municipal officials and assessors, and this question of the exemption of \$100 on household personal property and the taxing of household personal property was discussed very thoroughly in public meeting at our county court house. And I think, with no dissent, it was the opinion of all of the officials, and there were probably 40 or 50 non-official citizens present - it was the unanimous opinion, and I think about the only thing we agreed on in three hours, that it is just not practical to assess household goods and collect it other than from the 95 per cent of your citizens who are already paying on real estate. The argument that a few people raise is that everybody ought to pay some tax and you have people who don't pay a direct tax but only pay it through rent, and these people ought to know what they're paying. Actually the opinion of our officials was that the household goods owner pays it anyhow. He doesn't know whether it's on his home or on his personal property. He goes ahead and pays it as a lump sum.

With reference to the cost of collecting from the 5 per cent who move constantly, who are trying to avoid it, who don't want to pay the tax, you might tax them five or ten dollars a year and it might cost you forty or fifty dollars in some instances, even without taking it to a magistrate, to collect it. So the practical thing that happens, and this is why I raised the question earlier about \$17,000,000 - we believe in our county that what is happening is that the assessor assesses everybody \$100 and then exempts everybody \$100. So you have

two figures showing up on both sides of the ledger but no tax being paid or collected.

MR. HARTUNG: Well, that might be true to a certain extent but if we have a 50 per cent valuation, wouldn't that make quite some difference in our household tax as well as in another tax? I mean, we are going 50 per cent valuation now.

SENATOR WADDINGTON: We discussed that at the same meeting, and I'm not going to speak for the Committee. I am telling you the consideration that was given down in my county, which is similar in many respects to your county, the same kind of people, the same situation. The feeling of our assessors was that unless you made them full time, and therefore increased the cost to each municipality, and unless in some instances you gave them assistance, they couldn't go into a house and evaluate whether or not you have a refrigerator that is ten years' old or five years' old; there is too much involved for what the municipalities think they will get back and, in their opinion, the problem only surrounds maybe five to ten per cent of the people who are those who do not own homes and who are, for personal reasons, trying to avoid paying taxes by moving around from some of our small partment houses and that kind of thing.

MR. HARTUNG: Perhaps you are not familiar with how the federal government collects in these cases.

SENATOR WADDINGTON: On property, I don't know.

MR. HARTUNG: No, on income tax. Now, I have men who work for me and when they get delinquent the federal man comes around and he says, "Either you take the tax out of their wages and pay me by a certain time or you discharge the employee." Now, if we put some teeth in the law, that is

possible with household goods as well.

CHAIRMAN DUMONT: Any other questions? Dr. Miller?

DR. MILLER: I wonder, Mr. Hartung, in your county is the household goods tax paid by anyone who doesn't own real estate?

MR. HARTUNG: It's supposed to be. I don't know how effective it is.

DR. MILLER: Among the signers of your petition, are there any people there who are not owners of real estate, homes, and such?

MR. HARTUNG: Yes, there are some, I know. I don't know how many.

DR. MILLER: Relatively few, wouldn't there be? And do they all pay the same household goods tax?

MR. HARTUNG: I am not familiar with that. Probably Senator Dumont could inform us better as to that.

DR. MILLER: Well, isn't it common that everyone gets the same assessment whether or not he owns a housefull of expensive furniture?

MR. HARTUNG: That's right. It shouldn't be.

DR. MILLER: But it is. And he pays in form what looks like a household goods tax but really is a percentage of his real estate when it comes down to it?

MR. HARTUNG: Well, I don't just follow you there.

DR. MILLER: If he owns real estate, then the assessor adds something to the real estate assesment for household goods.

MR. HARTUNG: I assume so.

DR. MILLER: So that if he didn't have to pay the household goods tax, or if it were repealed, the assessor wouldn't

go through the motions of making believe that he has seen the goods, but would still have the opportunity to value the real estate.

MR. HARTUNG: What I am concerned about mostly is that some people don't realize they are paying taxes unless they have a direct tax bill.

DR. MILLER: Wouldn't they have the same realization from their real estate tax?

MR. HARTUNG: Well, yes, but these people who don't own real estate don't have that; they don't get a bill. That's the most important feature of this program in my opinion - so that everyone gets a tax bill, and if he's a good citizen he's pays the tax and he votes accordingly.

DR. MILLER: Let me ask you another question: Would you think, then, if the assessor were to go into everyone's house who is not an owner of real estate, he can actually examine everything he owns, all his jewelry and personal effects, and furniture, and make a listing of it and then value it for taxation?

MR. HARTUNG: I don't know that it's so important how it's done, but so long as he gets a tax bill, he's a conscientious taxpayer and considers how his money is being spent.

DR. MILLER: You don't care whether he has twice as much property as his neighbor and pays half the tax?

MR. HARTUNG: Well, I don't follow you just at that point, but so long as he gets a tax bill, he is an interested citizen I might say.

SENATOR WADDINGTON: Well, Mr. Hartung, I am sure that from the discussions this Committee had last summer on this

particular subject, all of us are in agreement with the premise that the question is of practicality. This is where, in this instance, I think we might not completely agree with you that this thing is practical. We did consider such things as assessors having levels of household property assessments and he would just assign a level. If you had five rooms and you had a refrigerator and a stove, he would assign this at a \$300 assessment value, or he could tie it to revalue the house, but again the practical considerations that our assessors - and I for one leaned your way at one time until I held this public meeting down in our court house - the assessors and the municipal officials were just so completely in agreement that the thing isn't practical, I think all of us on the Committee felt we should bow to the practical considerations which those fellows had much better knowledge of than did we.

We do appreciate your thought.

MR. HARTUNG: I still contend that everyone should pay a direct tax.

SENATOR WADDINGTON: Well, you're giving the same argument that the Manufacturers Association does in a little different way. They want a sales tax. Now, this is a direct tax too.

MR. HARTUNG: It's a direct hidden tax. I mean, they pay it so slow, so many people, that they don't realize they are paying tax; that's my theory.

SENATOR WADDINGTON: We agree with that principle.

CHAIRMAN DUMONT: Which one do you mean is a direct hidden tax, Mr. Hartung?

MR. HARTUNG: Well, a sales tax isn't a hidden tax but it's paid at such a slow scale that perhaps some people won't

be taxed over three or six cents a day, but by the same token they don't care. But send them a bill for ten dollars at the end of the year and immediately they are interested in their tax problem.

CHAIRMAN DUMONT: Well, as I told you and the other folks when I had an opportunity to discuss this with you about three weeks ago, this is something that you can argue both ways on. There's no question about it, there's merit to both sides. As a matter of fact, as a result of some of us coming back at the last Committee meeting with the thought that there is merit on your side of the argument - that was one of the reasons why the bill which originally provided for a complete elimination in one year was worked out to eliminate it over three years - one-third each year, rather than one year, and I realize the end result would be the same, but, as Senator Waddington has told you, the majority of this Committee - and bear in mind these bills are not as the result of any one person's effort but of the whole Committee's effort from both parties in both Houses - the feeling has been in most municipalities in New Jersey that this tax is not particularly sound nor is it particularly inexpensive to collect. In many cases it costs more to collect it than the municipalities would get out of it. Now I don't have the figures as to how many municipalities don't even collect it at all, but there are a substantial number of them today that don't bother with it at all. All 12 of the municipalities in Hudson County, I am informed, don't collect it. Is that right, Doctor?

DR. MILLER: I believe so.

CHAIRMAN DUMONT: Are there many others, too, that don't

collect it?

DR. MILLER: Yes.

CHAIRMAN DUMONT: Do you know offhand how many there are?

DR. MILLER: I haven't any idea.

CHAIRMAN DUMONT: But there is still merit to your argument. I am not trying to say there isn't.

MR. HARTUNG: Isn't this a matter of each individual community instead of the State? I mean, don't you think the State is putting itself in where it has no concern? The community is the direct recipient of this, not the State; am I right?

CHAIRMAN DUMONT: That's right.

MR. HARTUNG: In other words, you're going to penalize the community that does a good job. I think Trenton is one of them.

CHAIRMAN DUMONT: Trenton is the one, as I remember mentioning that day, generally reputed at least to get the most income out of this kind of tax as any municipality in the State. But I don't know just how large their administration is in regard to this. And, as Senator Waddington pointed out to you, you have got to realize that in order to do this job right, if the proper value were assessed to household goods instead of a flat assessment, regardless of how little or how much you own in a particular household, you would certainly have to have a full-time assessor in Harmony Township and you would have to pay him a whole lot more money than he is getting today for his work, and you might even have to add to his staff in order for it to be done properly and give him some assistance.

Now you do have that problem in connection with this tax.

MR. HARTUNG: That's a problem of our own township or community in which we live.

CHAIRMAN DUMONT: Well, I grant you that, but in any rural county in New Jersey I have seen very few full-time assessors, and in most cases - I imagine it's the same way in your township as it is in Phillipsburg - everybody if they own ten dollars or ten thousand dollars worth of furniture, they get assessed exactly the same amount for personal property. It makes no difference. And that's where the administration of it bogs down.

There is merit to your argument. There is also merit to the other side. And this bill, in an effort to eliminate it by degrees rather than all at once, puts it on this three-year elimination basis.

We are mighty glad to hear from you and to have your thoughts here today.

I think Assemblyman Matthews has some questions.

ASSEMBLYMAN MATTHEWS: I have no questions.

CHAIRMAN DUMONT: (Addressing gentleman in the audience)
Will you give your name, please?

MR. GRISWALD HOLMAN: My name is Griswald Holman, Rutherford, New Jersey. I would like to ask the gentleman whether or not he made any analysis of the collection of the taxes that were assessed to those people who did not own property - did not own real estate.

MR. HARTUNG: No, I didn't, but I feel that is a matter for our own township or our own municipality. If they don't do a good job, we as citizens have an opportunity to do something about it in our own community.

MR. HOLMAN: Might I then comment on that: In an investigation that I made some years ago as to the question of the personal property tax in a case where the bill was not on the real estate bill, I found in our municipality that a very well-known Federal Judge did not pay his taxes on personal property, two of the top physicians, our own borough attorney, and many other people who did not move, who had been residents of long standing and year after year did not pay personal property tax. When I threatened to publish that list, they paid it.

MR. HARTUNG: You see, we can do an effective job in our own community, but it's pretty hard to do an effective job throughout the State when the legislators legislate against it.

ASSEMBLYMAN MATTHEWS: Mr. Hartung, it's very easy to say that in one or two or maybe 100 communities in the State household property tax is effectively collected, but the fact remains that out of the four public hearings that we held last summer, the overwhelming majority of assessors and people who testified for us were against the household personal property tax because of the cost of collection. The fact remains that in many municipalities the household property tax is losing money to the municipality. Now the household property tax law as it reads right now requires all municipalities to collect it. Now, either we require all or we tell all to abolish it. It isn't a question of allowing one municipality to do something and another municipality to do something else - it again revolves back to the question of equality. And that's the reason why we have taken the approach we have. As Senator Dumont says, there are arguments on both sides on this, valid arguments. The overwhelming majority of people who have come

to us have been against the tax. That's the reason why we take the position that we have.

MR. HARTUNG: Do you say it is required that they collect taxes now?

ASSEMBLYMAN MATTHEWS: That's right.

MR. HARTUNG: But they aren't collected.

ASSEMBLYMAN MATTHEWS: That's right.

SENATOR WADDINGTON: They are required to assess personal household effects.

ASSEMBLYMAN MATTHEWS: That's right. The assessor has to assess.

SENATOR WADDINGTON: As it has been pointed out, the assessor will assess all household goods at \$100 and at the same time give \$100 exemption, so there is no tax involved. That's a practical way of avoiding it.

THE CHAIRMAN: This, like the other problems, has no easy solution, and there is no question but what there is merit to your argument and there is also merit to the argument on the other side. I don't know what the ultimate result will be, but we certainly appreciate your thoughts on it. If you want to leave that petition here, we will be glad to have the names added to the record, whatever you would like to do.

MR. HARTUNG: I would like to leave it.

CHAIRMAN DUMONT: Very good. Thank you.

I will call Robert Hoser, representing, I think, the Warren County Board of Agriculture.

MR. HOSER: Thank you, Senator Dumont and your Committee, for giving me the privilege of being here this afternoon to talk before you. My name is Robert Hoser and I am here representing the Warren County Board of Agriculture, which

in turn represents about 450 farm families in Warren County. They have had a petition drawn up by their legislative committee, which has been adopted by the County Board, in regard to the abolishment of the household goods tax law, which I would like to read to you at this time:

"WHEREAS, The municipalities of New Jersey are growing; and

"WHEREAS, There is an additional need for tax revenues, particularly for school support; and

"WHEREAS, Real estate property owners are carrying a disproportionate share of the tax load;

"BE IT RESOLVED, That we, The Warren County Board of Agriculture, oppose the abolishment of the household goods tax law; and

"BE IT FURTHER RESOLVED, That a copy of this resolution be sent to our Governor, Senator and Assemblyman of the State of New Jersey and also that it be presented on Wednesday, February 11th, at the State Hearing."

That is signed by the Legislative Committee of the Warren County Board of Agriculture.

CHAIRMAN MATTHEWS: Do you want to make any more comments about it, because you may say whatever you would like.

MR. HOSER: The citizens up there and the County Board felt that in view of the fact that there is no immediate tax taking the place of this household goods tax law, we should continue with the household goods tax law at the present time, due to the fact that it amounts to, as I hear, around seventeen million dollars. Most of this money comes back to the municipalities which supports a lot of our schools and we know they need a lot of money to go on.

CHAIRMAN DUMONT: Well, the fact that there is no immediate replacement available is another reason why this bill was drafted over three years elimination instead of one

year, and that was one of the reasons why the Commission did that. This, again, is a problem. Of course, personally I am inclined to think that it would be fair to replace before you eliminate this or any of the others. As you know, we work by a majority basis, as every other organization does, and the feeling of the majority of the Committee is to the effect, as I recall it, that this is a tax which could be absorbed even if it were not replaced; that is, it could be absorbed locally by other forms of property tax as they exist today, and the thought that you expressed there resulted in the three-year elimination by one-third a year instead of all in one year.

MR. HOSER: I didn't mention that but I realize that that's the way you mean to do it, but you must have some idea that it means something when you drop it all in one year and that's why you're dropping it in three years. Right?

CHAIRMAN DUMONT: Well, to the municipalities that collected it in 1958, it meant about 18 million dollars. Now, isn't the information that Trenton collected over a million of that alone? Is that right? About a million or a million and a half?

DR. MILLER: I think so.

CHAIRMAN DUMONT: Here again, all I can tell you is that there is merit in what you say. There is no question about it.

SENATOR WADDINGTON: Excuse me a minute. May I direct a question to the experts? This \$17,000,000 - I still wonder about it. Does the \$17,000,000 stand independent of the \$100 exemptions?

DR. MILLER: Yes.

SENATOR WADDINGTON: So that if you take every homeowner in the State and multiply him by \$100, you would have to deduct

that from the \$17,000,000, and that is the net figure that you are really talking about, which is the concern of the Board of Agriculture. It isn't the \$17,000,000. It's the net, the taxes paid.

DR. MILLER: Well, I don't know how much is received in Warren County. We will get the figure. The total value of personal property in Warren County as a whole is \$11,234,000 a year ago. How much of that is household goods, we don't have here but we can get it very easily.

SENATOR WADDINGTON: But against the household goods portion of this, you have to deduct for all practical purposes \$100 exemption for each family.

DR. MILLER: Well, this figure is the net figure of the amount of tax raised, not the assessed value, but the amount of tax raised throughout the entire State, regardless of where it's raised or from whom. So you don't have to worry about the exemption.

SENATOR WADDINGTON: Well, this includes, then, industrial inventories.

DR. MILLER: No, just household goods. It was fifteen and a half million in 1957, and I assume you are using seventeen million as an estimate of what it is this year.

CHAIRMAN DUMONT: This final table of equalized valuations for 1958, published by the Department of the Treasury, shows the aggregate assessed valuation of real property in Warren County to be almost fifty million dollars. That's real property. We have the assessed valuation of all personal property - \$11,346,503 for the 23 municipalities. That figure of \$11,346,000, however, would include all business machinery and equipment and all business inventories, in

addition to household goods, so unless it were broken down in three ways it's almost impossible -

Have you got it there, Dr. Miller, what the household goods is?

DR. MILLER: This is the amount of tax -

CHAIRMAN DUMONT: Mr. Kingsley?

MR. KINGSLEY: \$4,664,000 for the tax, Warren County, but from that you would have to deduct \$1,644,000 exemptions, for a net of \$3,500,000.

CHAIRMAN DUMONT: Well, the assessed valuation, then, of the household goods in the county, the whole county, is three and a half million; is that right?

MR. KINGSLEY: Three and a half million, that's right, for the assessed valuation. That is a gross of \$4,664,000 and then the exemptions, those \$100 exemptions, against it would aggregate \$1,644,000, for a net of three million five which is taxable.

CHAIRMAN DUMONT: At whatever the average tax rate is.

MR. KINGSLEY: Of course, the rate would then vary in the different municipalities.

DR. MILLER: I have the amount in dollars.

CHAIRMAN DUMONT: The amount that was actually raised, do you mean? Do you have that?

DR. MILLER: Yes. The total tax raised in the county in 1958 was \$5,437,000. Household personal property produced \$284,000.

CHAIRMAN DUMONT: So the amount collected in household personal property tax actually collected was \$284,000 in the whole county in 1958; is that right?

DR. MILLER: Yes, out of a total tax levy of five million four hundred thousand.

SENATOR WADDINGTON: That's five per cent.

CHAIRMAN DUMONT: Any other questions of Mr. Hoser?

Thank you very much, Bob.

I will call Mr. Gibert Hartung, representing the Rocksburgh Grange. It seems we are constituting a monopoly here today.

MR. GILBERT HARTUNG: Well, it would seem that way, but some of us are real taxpayers as well as real estate holders.

I was just informed last night that our taxes will go up a quarter--

CHAIRMAN DUMONT: This is in Harmony Township?

MR. HARTUNG: Harmony Township, Warren County. So my taxes next year will be \$10 for every working day of the year - \$3,000 on my farm.

CHAIRMAN: That's on real property and personal both. Right? \$3,000.

MR. HARTUNG: Yes, sir. That's up a quarter, yes. So we are a little concerned about this.

CHAIRMAN DUMONT: I can see how you might be.

MR. HARTUNG: This is a resolution adopted by the Rocksburgh Grange. I don't have the date on it but it was adopted last Wednesday night:

"WHEREAS, New Jersey is seeking a broad base tax, and

"WHEREAS, Each and every family in New Jersey is assessable and taxable under the present tax on household goods; and

"WHEREAS, It is of no direct concern of the State of New Jersey but is a matter of each municipal governing body to decide;

"BE IT RESOLVED that Rocksburgh Grange strongly protest any change in the present law regarding the taxing of household goods; and

"BE IT FURTHER RESOLVED that a copy of this resolution be sent to our Governor, Senator and Assemblyman of the State of New Jersey and also be presented at the State hearing on Wednesday, February 11."

It is signed by the Committee.

CHAIRMAN DUMONT: Do you want to make any further comments?

MR. HARTUNG: I don't think that the household tax or the general tax should be taken off until there is a broad base tax of some kind to relieve real estate. I am reminded a little bit of being wards of the State. If we have a state tax, a broad base tax, we will almost be in effect wards of the State because they will be getting all their money from the State rather than from local taxes and kept there.

CHAIRMAN DUMONT: Well, you are still going to have the real property tax and the one on business machinery and equipment, at least.

MR. HARTUNG: That's what worries me. I don't care about a double tax.

CHAIRMAN DUMONT: How do you mean that?

MR. HARTUNG: Well, for instance, if we have a sales tax on top of our present real estate tax, we're almost in effect taxed once and a half what it would be at the present time. It would seem that way to me.

CHAIRMAN DUMONT: How would you propose to get relief from the real property tax?

MR. HARTUNG: Either by probably a dedicated tax which would require an amendment to the Constitution or something like that.

CHAIRMAN DUMONT: Well, do you mean out of the present sources of revenue or out of a new source of revenue?

MR. HARTUNG: Out of a new source, a broad base sales tax.

CHAIRMAN DUMONT: Well, then, I take it you are in favor of a broad base tax.

MR. HARTUNG: Yes.

CHAIRMAN DUMONT: But you also want to be sure that you are going to get some real property relief out of it, is that it?

MR. HARTUNG: That's the idea.

CHAIRMAN DUMONT: Do you want to leave that resolution to get into the record?

MR. HARTUNG: Yes.

CHAIRMAN DUMONT: Thank you. Any other questions of Mr. Hartung?

DR. MILLER: This is not a question but there have been a lot of questions about the amount of tax raised and where. Anyone who would like to have the figures can find an article by Mr. James A. Arnold, who is here, in the November 1958 issue of the New Jersey Municipalities, a magazine published by the League of Municipalities. All the taxes are set forth there and the calculations in full. Incidentally the figure for Mercer County, which we used before, is shown by that compilation not to be correct. In Mercer the total amount raised from household goods in all municipalities was \$696,000, according to Mr. Arnold's calculation, which represented 2.3 per cent of the total tax raised in the county from property.

ASSEMBLYMAN FARRINGTON: Doctor, can you give me those figures for Trenton?

DR. MILLER: They are not in this particular place.
Are they, Jim?

MR. ARNOLD: I believe they are.

DR. MILLER: Well, here they are; they have them for Trenton also, if you want them. I don't know why I should read them, he wrote them. In Trenton, the total amount reported to have been raised from household goods is \$275,000 in 1958, out of a total tax levy of fifteen million odd.

CHAIRMAN DUMONT: Well, then, the figures we have been hearing from Trenton aren't right then. This \$275,000 was actually collected in household goods tax?

DR. MILLER: In 1958. That is the amount assessed; we don't have collections.

CHAIRMAN DUMONT: Oh, I see. So you don't know what the total amount of the collection was?

DR. MILLER: The collection would be somewhat less than that, we would expect.

CHAIRMAN DUMONT: All right. Mr. Lew Bangman, Moravian Grange.

MR. BANGMAN: I am Lew Bangman and I am a member of the Moravian Grange No. 187, Hope, New Jersey, and I live in White Township. I would like to read this resolution that we adopted:

"RESOLVED:

"WHEREAS, New Jersey is seeking a broad base tax, and

"WHEREAS, Every family in New Jersey is assessable and taxable under the present tax on household goods, and

"WHEREAS, The State of New Jersey has no direct jurisdiction over this matter, since it is the responsibility of each municipal governing body to decide; and

"WHEREAS, Moravian Grange #187 at its regular meeting held February 5, 1959 at Hope, N. J., emphatically and unanimously opposed any change in the present law regarding the taxing of household goods;

"BE IT RESOLVED, That a copy of this resolution be sent to our Governor, Senate and Assembly representatives of the State of New Jersey and also that a copy be presented at the public meeting to be held in Trenton, New Jersey, Wednesday, February 11, 1959."

CHAIRMAN DUMONT: Now, Mr. Bangman, do you want to make any additional comments?

MR. BANGMAN: No, I don't have any special comments.

CHAIRMAN DUMONT: But you want that to be included in the record.

MR. BANGMAN: Yes.

CHAIRMAN DUMONT: Now, is the feeling expressed, then, by your Grange, like that of Mr. Hartung in the Rocksburgh Grange? Do you favor a broad based tax or not?

MR. BANGMAN: I favor a broad base tax.

CHAIRMAN DUMONT: To get some relief for property owners?

MR. BANGMAN: Yes, to get some relief from real estate tax.

CHAIRMAN DUMONT: And is this resolution based on the fact that you feel that the household goods tax ought to be replaced if it were to be eliminated or that it should not be eliminated at all?

MR. BANGMAN: If it is eliminated, it should be replaced by something, otherwise it would go back to the real estate tax. That's what we're afraid of.

CHAIRMAN DUMONT: So the Moravian Grange has the same attitude as the Rocksburgh Grange.

MR. BANGMAN: Just about exactly the same, yes, sir.

CHAIRMAN DUMONT: Well, there would be a question of a shift - you're right - to real property, except that certainly

in those municipalities where there is industry, a large portion of it, as you heard expressed this morning, would no doubt have to be absorbed on business personalty as well as real property.

Any questions of Mr. Bangman?

Thank you very much.

Mr. H. Arthur Race.

MR. RACE: Senator Dumont, gentlemen and ladies: By this particular message here, I represent the White Township governing body, the Township Committee, and at their regular meeting on February 6, they passed a resolution disapproving of the proposed change in the present law regarding the taxing of household goods. I do not believe that they are in love with this particular tax, but I feel it should not be removed without something to take its place.

I also am a farmer, a tax collector with 19 years experience, and a member of a school board for over 20 years and, if it's permissible, I would like to make some observations as they would appear to such an individual. In the first place, it seems to me that our citizens must have a consciousness of paying tax or they will ask for luxuries which they and we cannot afford. Eliminating this tax would be a step in the wrong direction unless there is some means of equitable taxing which would take its place. There have been various questions raised here as to collections and assessments, and I have been listening to them and it seems to me that they add up to some failures in regard to assessments, and some failures in regard to collections. In some cases the laws might be improved to make collections easier.

It also appears that certain municipalities, by their own volition, have decided to discontinue this household goods tax. If they have the privilege of doing so, why should we pass a State law to eliminate it when, by their own volition, if they choose to consider it inequitable or undesirable they can do it themselves.

I believe that's all I have, unless there are some questions.

CHAIRMAN DUMONT: Mr. Race, as a Tax Collector, what has been your experience in the administration of this household goods tax? Do you feel that it's a sound tax? or do you feel it's expensive to collect?

MR. RACE: I feel that it is inadequate in properly distributing the tax load; that more tax should be obtained from some of these individuals who, by routine or other ways, pay on a very small evaluation of a hundred dollars, as you people suggest is often the case. In our own particular municipality this is not exactly true, it is graduated according to a greater variation than that, that is, some pay on considerably more than this hundred dollars. I think if the regulations concerning moving permits were a little more easily enforced, it could all be collected.

CHAIRMAN DUMONT: What have you been doing in your township? do you assess each property owner exactly the same amount on household goods? I know you're not the assessor but is that the way it's done in White Township?

MR. RACE: No.

CHAIRMAN DUMONT: You vary it according to what they actually own or the assessor thinks they own?

MR. RACE: Well, to some extent. I think it could be improved greatly in that respect.

CHAIRMAN DUMONT: Do you want to leave that resolution to be entered in the record?

MR. RACE: Yes, I do.

CHAIRMAN DUMONT: Any other questions?

If this tax were to be eliminated, you are in favor of replacing it with a broad-base tax first, is that correct?

MR. RACE: Yes. But at the same time, like some others, I want to be assured that the real property owners are going to get some relief out of it.

CHAIRMAN DUMONT: Right. Thank you very much. I appreciate all five of you gentlemen coming in. It makes me feel less lonely here, as a matter of fact. Thank you.

(Following is the resolution submitted by Mr. Race)

"At a regular meeting of the Township Committee of the Township of White, County of Warren, State of New Jersey held February 6, 1959 the following resolution was adopted:

RESOLVED: That the Township Committee of the Township of White hereby expresses disapproval of the proposed change in the present Law regarding the taxing of household goods."

CHAIRMAN DUMONT: Now, the New Jersey Taxpayers Association asked that their witness be put on at about 3:30. Is he here now? Mr. William B. Levet from the New Jersey Taxpayers Association?

MR. WILLIAM B. LEVET: Mr. Chairman and members of the Committee, my name is William B. Levet. I represent the New Jersey Taxpayers Association, of which I am a member of the Committee on Municipalities.

The bills before you relate to issues which have been discussed in the Legislature, in the public press and elsewhere for the past several years. To various of these issues, our Association has given extended study and its conclusions concerning them have been communicated to the members of the Legislature and your committee and given wide publicity in printed statements. Therefore, much of what I present will be a restatement of policy arrived at over a period of years.

In the following statement are the Association's conclusions with respect to the bills under consideration insofar as their provisions relate to the whole body of New Jersey taxpayers. These conclusions are presented in the numerical order of the bills except that discussion of Senate Bill 81 will be presented last.

Senate Bill 82--- For a number of years, many New Jersey taxpayers have been stymied in their efforts to obtain tax relief in discrimination appeals because of the absence of statutes providing for (1) a relatively simple and practical appeals procedure, and (2) recognition of the common level of assessment in the municipality as a base from which to measure discrimination. Senate Bill 82 is designed to accomplish these purposes and is therefore a desirable bill. Enactment of such legislation is long overdue.

Senate Bill 84 --- Household goods being peculiarly difficult to inventory and assess, the household goods tax is in gross disrepute because of the inherent impracticality of making realistic assessments. Some municipalities disregard entirely the legal requirement to assess household goods. Thus the purpose of Senate Bill 84 --- to abolish this tax --- is a worthy one. However, since no specific replacement is provided under the proposed bills, the tax income which this tax produces would automatically be added to the remaining property tax structure. Our Association recommends that the impact of this change be comprehended in studies which will be suggested later in our discussion of Senate Bill 81.

Softening the abruptness of the proposed change is the provision that $1/3$ of the tax be eliminated each year for three years. This is a commendable feature of the proposal.

Senate Bills 85 and 86 -- These bills relate primarily to specialized lines of business rather than to the entire taxpaying public. Our Association has not brought them under detailed study and therefore offers no comment.

Senate Concurrent Resolution 23 -- Since the veterans' exemption in its present application was sanctioned by constitutional referendum action, it would seem proper, in view of prospective assessment revisions, to permit a reconsideration of the question by the voters. However, in thus commenting, the Association reserves judgment on the constitutional question itself.

Senate Bill 81 -- The core of this bill is the proposal to require assessment of property at a percentage of its fair value and apply such requirement uniformly.

The New Jersey Taxpayers Association stands firmly for the taxation of property under uniform rules applicable in every municipality. It believes that all real property should be valued for tax purposes in accordance with a statewide standard of value and concurs with the purpose of Senate Bill 81 that assessments should be made everywhere at a uniform proportion of that standard of value.

In testimony before the Senate Committee on Revision and Amendment of Laws on June 30, 1958, our representative stated that the Association concurred as to the assessment of real property at 40% of true value. However, this was based on an earlier policy conclusion favoring assessment of real property at not more than 50% of its true value. Accordingly, our Association approves the 50% ratio set forth in Senate Bill 81.

At the same time our Association stated that the classes of personal property should not all be treated alike, depending upon their nature. An earlier Association comment on this subject is still pertinent, to wit;

"...whether the ratios selected (in the Commission's Ninth Report) are equitable and conducive to the state's economic welfare cannot be determined until their potential effect is known on a wide basis. The most authoritative information as to effect has been assembled by the Commission itself. However, because of the lack of adequate official data with which to ascertain business property valuations and local assessment practices comprehensively, the Commission was compelled to rely on sampling procedures and to make certain assumptions. The findings must be recognized as having these limitations."

The ultimate evil of the personal property tax system -- tax lightning* -- has been amply discussed in official reports and the press. It hangs like a sword of Damocles over all New Jersey business, large and small, and even on households. Commonly associated with the taxation of inventories, it represents almost as great a threat in the taxation of business and farm machinery, equipment and farm stock. It may be true that this misfortune has materialized only occasionally. However, under the impact of the Supreme Court ruling in the Middletown case, or even under new legislative proposals establishing uniform ratios, the result -- now only partially measurable because of lack of information -- could be devastating to New Jersey's industrial growth.

*The latent authority of assessors to raise personal property assessments (household and farm as well as business) from present generally low levels to 100% of true value as specified by law.

The impact which personal property taxation has on business is related not only to the percentage of true value at which it is assessed, but also to the relationship which this in turn bears to the percentage at which business real property is assessed. While the members of your committee may have had some information not available earlier when the Tax Policy Commission set its 40-40-10 relationship, there can be little doubt that your committee labored under some of the ^{same} /limitations as to information indicating the effect of the proposed ratios. Furthermore, our Association is firmly of the belief that the ratios now in effect are of such variety among, as well as within, municipalities as to insure that any attempt to establish a uniformly-applied statewide average will have widely varying effects throughout the state. We would therefore suggest to the committee that, in many instances under the proposed 50-50-12 $\frac{1}{2}$ formula, the ratios for the assessment of personal property may well constitute tax lightning of a far more serious nature than it has heretofore been the misfortune of New Jersey taxpayers to experience. For this reason we suggest that if Senate Bill 81 is adopted the Legislature provide for an intensive study of this subject during the initial year of enforcement so as to be in position to move quickly to overcome any effects which may be serious enough to hamper the healthy development of New Jersey's statewide economy.

This is far from being a problem of concern only to business. Here we are dealing with the question of job opportunities for everyone -- in large and small businesses and the host of stores, service trades and professions whose welfare rises and falls with the State's overall economy. Here also is a double edge sword, for the decline of business not only reduces opportunities for employment but at the same time inevitably shifts more of the cost of government upon the individual taxpayer.

The common interest of all the people in the economy of the state cannot be too strongly emphasized. In this respect, New Jersey's attractiveness to manufacturing businesses is of special importance. Increased taxation affects their ability to

compete in the nationwide market place. It thus bears on their determination to settle, expand or remain in New Jersey, or choose instead some more favorable location.

Senate Bill 81 is designed to change the rules under which all business as well as individual owners are taxed. Since its effects cannot be precisely determined in advance, it logically follows that if and when this bill is passed provision should be made for studies that will promptly ascertain its effects and thus place the Legislature in position to remedy any conditions that are found to be detrimental to the welfare of the people as a whole. Only through such knowledge can the best interests of New Jersey taxpayers be served.

The New Jersey Taxpayers Association appreciates the opportunity to be heard on this important legislation.

CHAIRMAN DUMONT: Are there any questions for Mr. Levet? Senator Waddington.

SENATOR WADDINGTON: Mr. Levet, you and a number of us have the same reservations. You suggest that "if Senate Bill 81 is adopted the Legislature provide for an intensive study of this subject during the initial year of enforcement so as to be in position to move quickly to overcome any effects which may be serious enough to hamper the healthy development of New Jersey's statewide economy." The logical question would seem to me to be: Is it possible that these bills might better be delayed and such a study be made in advance? Is this possible?

MR. LEVET: I think it may be possible - it's probably difficult, however, - that the information can be obtained in advance.

SENATOR WADDINGTON: Are you saying that you think we have to pass the tax bills in order to have the means to develop the information?

MR. LEVET: That is my personal opinion and is not stated as an Association policy.

SENATOR WADDINGTON: I would like to see us do this with adequate information, as you indicated. And it would seem to me that, recognizing the importance that the lawyers attach to the Middletown Case, the Switz Case, it is more difficult than it is to delay, sometimes, and adjust in advance. So you perhaps have to weigh the advantages and disadvantages. But if your Association could suggest some technique by which we might develop this information in advance, I think it would be most helpful and I, for one, would be very happy to sponsor such a bill if you had some practical way of encouraging us to develop this information in advance. Thank you.

MR. LEVET: I think that is a very desirable purpose if it can be accomplished, and I am sure the Association will do anything to cooperate in that respect.

CHAIRMAN DUMONT: Well now, granting that it might be desirable, Mr. Levet, do you think it's possible?

MR. LEVET: Personally, I have my doubts.

CHAIRMAN DUMONT: Assemblyman Matthews asked, "What's possible?" I mean, to get the information, because we have strong doubts about it too, before the legislation would take effect.

ASSEMBLYMAN MATTHEWS: Mr. Levet, I personally think that the attempts that we have made to get the information, and

I am sure the attempts that you have made to get the information have pretty well run the gamut of the sources that we can apply to. Now, I'm inclined to agree with you, that the information that we have right now or will have available to us within the next few months is as far as we are able to go and I think we are not going to get the true answer unless we stride forward with this legislation.

While you were talking the idea came to me that this might well be a good assignment for the State Tax Policy Commission, if and when this legislation goes into effect, to ride herd on this and to report to the Legislature as to the effect in any given cross-section of communities throughout the State. What do you think of that proposal, Mr. Levet?

MR. LEVET: I think the State Policy Commission has made a commendable start in their Ninth Report with the information that was available to them in the limited time they had. I might add that it has been the policy of our New Jersey Taxpayers Association to urge upon individual taxpayers to present their peculiar and particular problems directly to the Committee because of the wide variety of different types of business that will be affected; and we have continued that urging on individual taxpayers to present their individual views.

ASSEMBLYMAN MATTHEWS: And you don't think that perhaps the State Tax Policy Commission would be the proper vehicle to conduct this study after this legislation has passed, keeping in mind that you are not going to be able to cover every municipality in the State but perhaps representative

cross-sections of our economy?

MR. LEVET: It is my opinion that it would be an excellent vehicle because of the background that they have had in their various reports. I think it would be an excellent vehicle for that purpose.

CHAIRMAN DUMONT: Mr. Levet, as a conclusion from this statement of your Association, is it fair to draw the opinion that generally you're in accord with this program or the program presented in these bills?

MR. LEVET: In general we would say, yes.

CHAIRMAN DUMONT: Any other questions of Mr. Levet?

Thank you very much.

Mr. Richard Glander. Is he still here? Apparently not.

Mr. Bart Didovich, New Jersey Citizens Committee Against 100% Assessment.

MR. BART F. DIDOVICH: I want to say that I waited here for quite a while to say something about this assessment problem in the State of New Jersey but, first, I would like to give you a brief outline of the organization that I represent.

I guess it has been about two years now, that the New Jersey Citizens Committee Against 100% Tax Assessment has fought this 100% assessment. You folks will remember, we had garnered some fifty or sixty thousand petitions throughout the State of New Jersey against 100% assessment. Thirty thousand of those petitions came from Hudson County, and we have our headquarters in Hudson County. We, undoubtedly, could have gotten a lot more but we stopped because Bill A-350

would do now by this suggested idea of giving it back - the court would say "No. You are collecting this under legislation and you are collecting it for the local municipalities. Therefore, you must assess it at the same standard of value and at the local rate." I am sorry to have to butt in.

CHAIRMAN DUMONT: Thank you very much.

Are there any other questions of Mr. Didovich? (No response.)

Well, that exhausts the list of witnesses. Thank you, sir. Does anyone else desire to be heard this afternoon?

At the next hearing we will hear from the representatives of the New Jersey Farm Bureau. There is a letter from them here today asking for further time to study the proposed legislative program. We will fix as the date for the next hearing Wednesday, February 25, two weeks from today, at 10:30 A.M., here in the Assembly Chamber. Now, it may be necessary to have a third hearing beyond that because there are representatives from the League of Municipalities who are checking some information, and they said they will need about three weeks for it. We can hold a third hearing for half a day, or whatever time it may take in the way of hearing witnesses.

Thank you very much for coming. We appreciate your cooperation.

The hearing is adjourned.

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