
PUBLIC HEARING

BEFORE

SENATE NATURAL RESOURCES, TRADE AND ECONOMIC DEVELOPMENT COMMITTEE

"Proposed repeal of tax on yellow pages advertising"

LOCATION: Curchin and Company
125 Half Mile Road
Red Bank, New Jersey

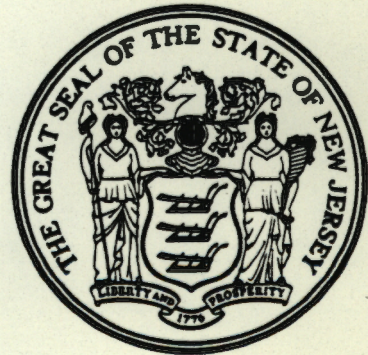
DATE: January 30, 1995
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Senator Joseph M. Kyrillos, Jr., Chairman
Senator Andrew R. Ciesla, Vice Chairman

ALSO PRESENT:

Kevil D. Duhon
Aide, Senate Natural Resources, Trade
and Economic Development Committee
Office of Legislative Services



New Jersey State Library

Hearing Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, CN 068, Trenton, New Jersey

1911

JOSEPH M. KYRILLOS, JR.
Chair

ANDREW R. CIESLA
Vice-Chair

ROBERT J. MARTIN
GORDON A. MACINNES
JAMES E. MCGREEVEY



New Jersey State Legislature
SENATE NATURAL RESOURCES, TRADE AND
ECONOMIC DEVELOPMENT COMMITTEE
LEGISLATIVE OFFICE BUILDING, CN-068
TRENTON, NJ 08625-0068
(609) 292-7676

NOTICE OF PUBLIC HEARING

The Senate Natural Resources, Trade and Economic Development Committee will hold a hearing on the following topic:

**PROPOSED REPEAL OF TAX ON
YELLOW PAGES ADVERTISING**

The hearing will be held on Monday, January 30, 1995 at 10:00 AM at Curchin and Company, First Floor, 125 Half Mile Road, Red Bank, NJ.

The public may address comments and questions to Kevil D. Duhon or George J. LeBlanc, Committee Aides, or make bill status and scheduling inquiries to Elva Thomas, secretary, at (609) 292-7676.

DIRECTIONS:

FROM GARDEN STATE PARKWAY NORTH

Exit 109 Red Bank/Lincroft
Proceed through traffic light (Half Mile Road). The National Guard Armory and the Courtyard Marriot will be on your right. At the next traffic light, make a right onto Schulz Drive. The building is right in front of you. Visitor parking is located on the east side of the building.

FROM GARDEN STATE PARKWAY SOUTH

Exit 109 Red Bank/Lincroft
Pay toll, make left at light and stay to the right. Immediately after going under parkway overpass, take jughandle to the right. Proceed through traffic light and follow directions above.

Issued 01/25/95

Assistive listening devices available upon 24 hours prior notice
to the committee aide(s) listed above



TABLE OF CONTENTS

	<u>PAGE</u>
James A. DiEleuterio, Jr. Assistant Director Processing and Administration New Jersey Division of Taxation New Jersey Department of the Treasury	4
Curt Macysyn State Director National Federation of Independent Business	6
Bryan D. Markowitz Research Association New Jersey Business and Industry Association	8
Jon Spinnanger Director Government Relations Bell Atlantic-New Jersey	10
Andrew McDevitt Director Government Relations Bell Atlantic-New Jersey	13
Michael J. Losch Controller, and Treasurer Bell Atlantic-New Jersey	15
Michael A. Egenton Manager Governmental Relations New Jersey State Chamber of Commerce	16
Jack McGrath New Jersey Warehousemen and Movers Association	18



TABLE OF CONTENTS (Continued)

PAGE

Dana Clark Owner Ned Sickle's Overhead Doors Shrewsbury, New Jersey	19
--	----

APPENDIX:

Statement submitted by Bryan Markowitz	1x
---	----



SENATOR JOSEPH M. KYRILLOS, JR. (Chairman): Good morning, ladies and gentlemen. We'll begin our hearing.

Welcome to Monmouth County and to Curchin and Company, who were gracious enough to open their doors to us this morning. It was a suggestion of the National Federation of Independent Business that we hold the hearing here today.

I'm Senator Joe Kyrillos. I think you know Senator Andy Ciesla. We're here this morning to continue the progress that the Legislature began several years ago when we cut the sales tax back from 7 percent to 6 percent. At that time the tax, for the very first time, was imposed on telecommunications. We've continued that progress, as you know, through the cutting of the income tax in the last year or so. We'll have more of that this year.

But more than most taxes, I think most of you in the room will agree, common sense tells us that the tax on telecommunications doesn't make any sense, especially when two of New Jersey's largest employers are AT&T and Bell Atlantic. It doesn't make sense; it's bad for business. These two industry giants collectively employ 65,000 people. AT&T is the largest employer in the State, with 50,000 people -- more people here for AT&T than anywhere else, worldwide.

Right across the street is Bellcore, the research arm for the Bells. They also employ a lot of people. Since 1990, when the telecommunications tax went into effect, many companies have moved their telemarketing operations -- New Jersey jobs -- to southern states where taxes are lower or where there is no telecommunications tax.

We think that the tax on yellow page advertising, which is the subject at hand today, makes even less sense because it really, singularly targets small businesses and, we think, in an unfair way. Placing such a burden on these businesses that spend thousands of dollars each year and every year on advertising in telephone directories and indexes is

counterproductive to our overarching efforts to continue and expand the State's economic growth.

This tax puts the small business owner at a competitive disadvantage specifically with our neighboring states, because New York, Connecticut, and Pennsylvania don't have yellow page advertising at all.

Finally, the yellow page advertising tax is the only type of advertising -- or yellow page advertising is the only type of advertising that New Jersey taxes, so we simply don't think it makes any sense.

I should also add that the elimination of the tax on yellow page ads really ought to be the first step toward dismantling the entire tax on telecommunications that was enacted in 1990, where it was extended to interstate calls, intrastate calls, and international calls. Under the leadership of the Governor, we in the Senate will continue the progress we've made in lowering taxes and spending less. The repeal on the tax on yellow page advertising continues to send the message that New Jersey is, once again, open to business.

And with that let me introduce my colleague from Ocean County, who also represents parts of Monmouth County, Senator Andy Ciesla, the Vice-Chairman.

SENATOR CIESLA: Thank you very much, Joe. And again, thank you to Curchin and Company for allowing us to be here today in order to hear from our constituency. My comments will be brief.

Obviously, I believe, as I'm sure many of you do, that if New Jersey is to be competitive, we not only need to be competitive with our national actors, but we need to be competitive with our regional actors. The telecommunication industry probably understands very well the words unbundling and competition, having gone through that over the past decade. And to the extent that the State of New Jersey applies a tax which is unique to New Jersey on the telecommunications industry, not

only with respect to the yellow pages but with respect to the other services that are provided, we, in fact, are not going to be competitive with what is available to be offered by our neighbors.

What ultimately occurs when we have that particular condition is that the employers and the businesses tend to look elsewhere, outside the State of New Jersey in order to house their operations, in order to obtain certain cost efficiencies, and frankly, we experience a loss of jobs and a loss of businesses. When that occurs, the State receives less revenue, not more revenue, as perhaps was initially anticipated very simplistically when the idea was to raise taxes to get more money.

This year, very uniquely, when the income tax was cut by Christie Whitman and the Legislature, what we have seen is not less revenue as a result of a tax rate cut, but more revenue. And what we're hopeful to do with respect to the other taxes on services, particularly the telecommunications industry, is to increase the revenue that will be garnished by the State of New Jersey by effectively imposing a tax cut. If that sounds like an oxymoron, it's not. What it is, it's real simple business logic. To the extent that you create greater volume, you can create a greater resource, which gives you a larger base on which to tax at a lower rate. It makes sense. It's talking about building an economy from the bottom up.

Hopefully, that's what we're here to talk about today. Certainly, Senator Kyrillos and I endorse that concept -- we endorse the program of the Governor -- and we're looking forward to hearing your testimony because we think that perhaps being in the industry, you'll be able to provide us with a better insight as to how to do what we're currently proposing to do.

Thank you, Senator.

SENATOR KYRILLOS: Thank you, Senator Ciesla.

First off we'll hear from the Assistant Director for Tax Policy, Jim -- and I'll ask you to pronounce your last name, Jim. I'm sorry, you pronounced it to me outside, but--

J A M E S A . D i E L E U T E R I O, JR.: DiEleuterio
(pronounces name)

SENATOR KYRILLOS: DiEleuterio. I should say at the outset, if I haven't already, that we won't be voting on this bill today. We will only be taking testimony, and we felt it appropriate to come out to the field and hear from small business owners and others, outside of the usual Trenton arena, to hear what they have to say. But it is my plan to have a release of this bill from the Senate Natural Resources, Trade, and Economic Development Committee in the very near future.

Of course, Jim, we were heartened to hear the Governor, several weeks after we had introduced this bill, endorse it in her budget message of last week. So we know it's in the administration's plans as well. We're looking to do this, I would presume, by July 1.

So with that, maybe you could give us a little bit of the fiscal background that we need to know as we go about trying to cut this tax.

MR. DiELEUTERIO: Thank you, Mr. Chairman.

First off, let me just say that I appreciate the opportunity to be here and be heard. I have some brief remarks that I would like to make, and then I'll certainly be available to answer any questions you may have.

Obviously, after hearing the Governor's budget message, we support the concept of repealing the telecommunications sales tax on yellow pages advertising. We believe it is an appropriate first step to addressing the entire issue of the sales tax on telecommunications services.

This particular part of the repeal would benefit mainly small businesses, many of whom rely on yellow pages advertising as their principle means of advertising. And as you pointed out

in your opening remarks, Mr. Chairman, it is the only type of advertising that is taxed in New Jersey, and other states in the region do not tax yellow pages advertising.

Treasurer Clymer had called together a group of people that we're calling the Tax Advisory Group, that are made up of many of the State's major employers and major taxpayers -- members of the legal and accounting practitioner communities, and, in fact, Senator Inverso and Assemblyman Kramer have been joining us for our meetings. This Tax Advisory Group has endorsed the plan to repeal the tax on yellow pages advertising and, in fact, has endorsed continuing to look at the entire telecommunications sales tax.

We are estimating, for purposes of the budget, that the Fiscal '96 impact of this repeal will result in reduced sales tax collections of approximately \$20 million. Again, we certainly intend to continue looking at the rest of the parts of the sales tax on telecommunications.

With that, I'll be happy to answer any questions you might have.

SENATOR KYRILLOS: Jim, thank you very much. In the proposal that the Governor presented to the Legislature last week, the \$20 million impact on the cutting of this tax is reflected in that proposal, is that correct?

MR. DIELEUTERIO: That's right. It's already reflected in all of the revenue estimates that are in the Governor's budget.

SENATOR KYRILLOS: What about other parts of the tax? I realize that we're focusing on this bill today, and for the most part I want to concentrate on the yellow page ad tax cut exclusively, but--

MR. DIELEUTERIO: To repeal-- Our current estimate, to repeal the entire sales tax on telecommunication services, the Fiscal Year '95 estimate is approximately \$360 million. That, of course, grows a little bit in the outgoing fiscals, but again, I don't believe that this is certainly not the end of the

consideration of the repeal. We just felt that this was the appropriate step that would give the most benefit to small businesses.

SENATOR KYRILLOS: Well, first things first, and now that the 30 percent income tax cut will be fulfilled in its entirety with the end of this budget process and into the next year, I think that this telecommunications tax in general is the kind of business tax that we need to go after in order to have people stay here and come here and create jobs. I know that you're on the page.

MR. DIELEUTERIO: We certainly agree.

SENATOR KYRILLOS: But we'll start with this.

MR. DIELEUTERIO: Okay. Thank you.

SENATOR KYRILLOS: Thank you, Jim.

Next I want to call up Curt Macysyn. Curt is with the National Federation of Independent Business, which represents a lot of people who are in this room today, and who will speak a little later on from small businesses throughout Monmouth County and from Red Bank and from Keyport and from Farmingdale and from Shrewsbury and from Neptune and from Point Pleasant, as well.

Curt, thanks for being here and for helping us to set up this hearing and for choosing this location.

CURT MACYSYN: Thank you, Mr. Chairman and Senator Ciesla. My name is Curt Macysyn. I'm State Director for the National Federation of Independent Business in New Jersey. NFIB represents approximately 11,000 small businesses throughout the State. Most employ between 5 and 9 workers and have annual gross sales of about \$250,000.

NFIB New Jersey is very supportive of the tax cutting policies of the Whitman administration and this Legislature. I'm here today in full support of the elimination of the sales tax on telecommunications directory advertising.

NFIB New Jersey supports this legislation because, when polled, over 85 percent of our members advertise in yellow

pages. When the breadth of the sales tax was extended to yellow pages advertising in 1990, 50 percent of our members chose to reduce or eliminate completely their yellow pages advertising. The remaining 50 percent commented that directory advertising was very important for them to maintain, so they had to remove money from other areas of their operation to keep directory advertising intact.

For small businesses, the yellow pages advertising represents the only communication they may have with the general public. All of us at one time or another have referred to the yellow pages for a product or service; therefore, we realize the importance of maintaining directory advertising from a consumer level also.

No other state taxes yellow pages advertising; therefore, the removal of this particular tax is a logical first step. In addition, no other form of advertising is taxed.

In summation, this tax represents a creative way of deriving revenue from a source least able to afford it. It's clearly antibusiness and harms small business the most. In short, the elimination of the sales tax on yellow pages advertising would be a tremendous boost for the small business community in the State.

Thank you, Mr. Chairman, for holding a hearing on this bill, and I look forward to working with you to see the bill move to its conclusion and be enacted.

SENATOR KYRILLOS: Curt, thank you very much. Do have any idea what the average budget would be on the part of your members for yellow page advertising? Obviously, it varies. I know the size of the firms you represent vary a lot.

MR. MACYSYN: Anywhere from, say, \$2000 to \$5000 is what I heard from several of my members when they were polled -- kind of a straw poll.

SENATOR CIESLA: And you indicated that 50 percent of them modified their advertising as a result of the tax?

MR. MACYSYN: That's correct. So the initial revenue projections on the sales tax on telecommunications directories, I'm sure, weren't achieved when this tax was enacted, just for that reason.

SENATOR KYRILLOS: Where a lot of small businesses have two or three people employed, advertising in the yellow pages is a significant component of their budget. It's a significant business expense.

MR. MACYSYN: It may be the only component of their advertising budget.

SENATOR KYRILLOS: Of their advertising budget, that's right.

Well, very good. Thank you, Curt.

Senator?

SENATOR CIESLA: No.

Thank you, Curt.

SENATOR KYRILLOS: Thank you very much.

Next, Bryan Markowitz, who is with the New Jersey Business and Industry Association, the association that represents both small and large businesses, as well.

B R Y A N D. M A R K O W I T Z: Yes, about 83 percent of our businesses are actually small businesses, sir.

Good morning, Mr. Chairman and members of the Committee. I appreciate this opportunity to testify before you today. I'm here to testify in support of repealing the sales tax on the sale of advertising space in telecommunications directories.

The Business and Industry Association opposed the original proposal, back in 1990, to institute a sales tax on the sale of advertising space in telecommunications directories and the sale of telecommunication services because of the fear of potential negative economic consequences.

Small businesses use yellow pages advertising as a primary means to reach customers, and, as I said, our Association

represents 13,500 members, a large majority of which are small businesses.

Passage of this bill, we believe, would be a positive way of encouraging small business creation and job growth in New Jersey. This would also establish equity among advertising space, since telecommunications directories are the only form of advertising space taxable in New Jersey.

We also view this as a positive sign that future efforts to phase out the sales tax on telecommunication services, as recommended by the New Jersey Economic Master Plan Commission, may occur.

We congratulate the sponsors in both Houses for addressing this issue, and I again thank you, Mr. Chairman and members of the Committee, for allowing me to testify before you today.

SENATOR KYRILLOS: Bryan, thank you. I know your Association surveys its members on an annual basis. Is this issue one that has come up in the last several years, as a major target for action?

MR. MARKOWITZ: Yes, I believe it was. Yes, taxation in general.

SENATOR KYRILLOS: Very good.

Senator, any comments?

SENATOR CIESLA: No questions, Mr. Chairman.

SENATOR KYRILLOS: Thank you very much, Bryan, for being here.

MR. MARKOWITZ: Okay, thank you.

SENATOR KYRILLOS: We have one more large business group here, the Chamber.

We'll wait, Michael, if you don't mind, just to vary things a little bit, and hear from Jon Spinnanger, a seasoned governmental affairs representative for Bell Atlantic.

J O N S P I N N A N G E R: Mr. Chairman, thank you. I have my partner, Andy McDevitt, who will join me here. While he is handing out copies of the testimony and before we actually get

into our testimony, I'd like to point out, from the Governor's budget in brief, we're delighted to read that the repeal of the yellow page tax is the first step in Governor Whitman's commitment to address the sales tax on telecommunications services. It's listed under the heading of "Keeping our Promises," and we are, of course, delighted with that.

The last thing, before we actually go into the formal testimony, yesterday there was quite an article on international trade. I was very surprised to read that, according to the Japan External Trade Organization, New Jersey is fifth in playing host to the largest number of Japanese owned companies. So, when you start thinking about where do we go beyond yellow pages, certainly international communications would be a very good place to start.

With your permission, we'll go right into our formal testimony: Mr. Chairman and Senator Ciesla, my name is Jon Spinnanger, and together with my partner Andy McDevitt, I represent the interests of Bell Atlantic-New Jersey concerning legislative matters. We very much appreciate the opportunity to testify on behalf of Bell Atlantic-New Jersey regarding the repeal of the sales tax on yellow page advertising.

In sum, Bell Atlantic-New Jersey fully supports Governor Whitman's plan to totally repeal the 6 percent sales tax imposed on telecommunications services and yellow pages advertising. The strong bipartisan legislative support for achieving this objective testifies to its importance to the State.

Telecommunications is an industry characterized by a convergence of technologies and services and today encompasses more than local dial tone, local toll, and long-distance toll calling. Practically on a daily basis, services and participants expand this industry's parameters. For example, telemedicine, distance learning, telecommuting, and cable-like video services are just a few of the new services added to what we have traditionally defined as telecommunications.

As you know, prior to July 1990, none of these services were subject to New Jersey's sales tax, and while it is true that several of our neighboring states have begun to impose sales taxes on some telecommunications services, out-of-state tax rates are generally lower than our 6 percent rate, and fewer services are taxed. In short, New Jersey is at an economic development disadvantage because of its current telecommunications tax policy.

Since the sales tax on telecommunications represents a sizable portion of the State's revenues, it does make sense to approach its repeal on a piecemeal basis, as outlined in several bills proposed by the Legislature. Naturally, we would prefer a flash cut, but since it appears that this is not practical due to budget constraints, we urge that this process begin by repealing the sales tax imposed on yellow page advertising.

There are three key reasons for starting with yellow pages:

First, the current tax on yellow page advertising is patently unfair. Yellow page advertising is the only form of advertising in New Jersey subject to imposition of the sales tax. Newspaper, magazine, billboards, radio, and television advertising are exempt from this tax. Importantly, we are not suggesting that these other advertising media be included in the tax. Rather, fairness suggests that the most reasonable solution to this imbalance is to eliminate the sales tax on yellow page advertising.

Second, and as you just heard from NFIB and other witnesses, small businesses, the bulk of New Jersey's business and greatest source of job growth, are particularly disadvantaged by the tax on advertising space in yellow page directories. Of the 214,000 private-sector firms currently located in New Jersey, 205,000, or 95 percent, are considered small businesses; that is, firms with 50 or less employees. Not surprisingly, 95 percent of all yellow page advertisers also have 50 or less employees. Yellow page advertising is the media

by which small businesses market their products and services. Unlike large firms, these companies do not have a full complement of sales and marketing professionals. Accordingly, the sales and marketing efforts of 205,000 New Jersey businesses, firms which generate the vast majority of new jobs within the State, are negatively impacted by the sales tax on yellow page advertising.

And third, there is some good news for the State treasury if the sales tax imposed on yellow pages is repealed. While it is true that the immediate result will be a loss of some \$2 million in monthly tax revenues, there is another consideration. It has been widely suggested that, for every dollar the State Division of Travel and Tourism invests in advertising and promotion, \$70 worth of economic activity is generated. Within the general business community, even if the ratio amounts to only half of that which is associated with travel and vacations, taxes generated by increased economic activity, stimulated by directory advertising tax savings, will more than offset any loss in sales tax revenues from this source.

Allowing 205,000 small businesses to keep \$2 million of their own money each month, to be reinvested in whatever way they determine to be appropriate, also should advance achievement of the State's economic development goals with no administrative cost to the State.

As a state committed to business retention and attraction and to assuring a favorable business climate, New Jersey has the opportunity to improve its competitive position by eliminating its unfair sales tax on directory advertising now and its sales tax on intrastate, interstate, and international telecommunication services in the near future. Passage of Senate Bill No. 1692 will begin to seize this opportunity.

Andy and I will be real happy to answer any questions that you may have.

SENATOR KYRILLOS: Jon, thank you very much for your very complete testimony. Do you have a sense of what is the situation in other states at your fingertips? Maybe you can give us a quick rundown on yellow page advertising tax, other telecommunications taxes in neighboring states and the country as a whole?

A N D R E W M c D E V I T T: Senator, it's very simple. There is no sales tax applied in any other state on yellow page advertising, other than the State of New Jersey.

SENATOR KYRILLOS: Period.

MR. McDEVITT: Period.

SENATOR KYRILLOS: Very good. How about intrastate, interstate, and international telephone calls, and what impact does that have on financial services and other entities that--

MR. SPINNANGER: I think the best way to answer that-- First of all, it's all over the lot.

Andy, you have that information--

SENATOR KYRILLOS: I realize that.

MR. SPINNANGER: But the most important part is that Manhattan does not tax -- New York State does not tax international telecommunications. So, just as I mentioned that New Jersey is the fifth most popular State for Japanese companies, okay, that have moved in over a period of years -- I don't know whether any have moved in since July of 1990 -- but the fact of the matter is, if communications -- international communications are one of the largest cost considerations for any business -- they would not locate in New Jersey, automatically. Lower Manhattan would be a much more favorable place to locate, which is crazy.

SENATOR KYRILLOS: Manhattan does not have a tax?

MR. SPINNANGER: That is correct.

SENATOR KYRILLOS: New York State does not at all?

MR. SPINNANGER: They do not tax international communications, no.

SENATOR CIESLA: Cuomo missed that.

SENATOR KYRILLOS: I'm sorry.

SENATOR CIESLA: I said, Mario missed that. (laughter)

SENATOR KYRILLOS: Can you pinpoint -- you may not have the data with you now -- firms that have left the State presumably, or any anecdotal evidence of their operations that might have come here but didn't, because they can make their boilerplate telephone calls, one after the other, at a cheaper rate somewhere else, that has cost us jobs here in New Jersey?

MR. SPINNANGER: I can give you one example. Assemblyman Zecker, who, as you know, is the Assembly sponsor of this bill in the Assembly, in his testimony -- and I've heard him do this repeatedly, so I can almost parrot this verbatim -- has a company in Wayne, New Jersey, up in Passaic County where the principal lives in Wayne and operated a telemarketing operation, a very large one, in Wayne. As a result of the sales taxes being imposed on telecommunications, he relocated that operation to East Stroudsburg, Pennsylvania.

He still lives in Wayne, and he says -- he makes the claim that he gets chauffeured in a stretch every morning to East Stroudsburg, Pennsylvania, and he is returned home every evening, sitting in the back of a stretch, and the cost for the chauffeuring back and forth-- He still saves a lot of money by not being in New Jersey, since his largest line item in his business was telecommunications. He literally moved it to Pennsylvania to save that amount of money.

We simply can't let this continue.

SENATOR KYRILLOS: I would suspect that as it affects Bell Atlantic, clearly AT&T as well. I think I read a remark from the chairman, who as I mentioned, his company has 50,000 people working in New Jersey. He maintained that it gives him pause that perhaps he should not have, or will be more cognizant of locating virtually his entire headquarters infrastructure in one state, rather than spreading it out across the country--

MR. SPINNANGER: Mr. Chairman, there was--

SENATOR KYRILLOS: --had he had to do it all over again.

MR. SPINNANGER: To give you another anecdote, I was in Florida this past summer in August, in Tampa. I read the Tampa Tribune -- I have these articles, by the way -- and on the front page of the business section -- I won't name the New Jersey company, but there was a very large New Jersey company up in Somerset County that said, "Tomorrow, we will announce our relocation to Harbor Island, Tampa." I couldn't believe what I was reading.

The next day I went to the newspaper, and they made an announcement that they were going to move several hundred jobs from New Jersey to Tampa, and they did. The reason cited was the sales tax on telecommunications services. It was frightening to think that we could have lost a Fortune 500 headquarters location from New Jersey, which fortunately did not occur. But, I mean, they were seriously giving it consideration.

SENATOR KYRILLOS: It's hard to pinpoint with certainty what it cost the State in jobs -- the telecommunications tax in general -- but I know from talking to many corporate relocation firms, it's one of the major factors in companies opting to go elsewhere, other than New Jersey.

Thank you very much. Before you leave, I wanted to mention that the Controller and the Treasurer of Bell Atlantic, a fine Monmouth County resident, Michael Losch, is here today. He took advantage of the opportunity to not go to Newark to the headquarters, but to stay here in Middletown, Monmouth County.

Welcome, Michael.

M I C H A E L J. L O S C H: (SPEAKING FROM AUDIENCE) It's a pleasure to be here.

SENATOR KYRILLOS: Thank you, both.

MR. SPINNANGER: Thank you very much.

SENATOR KYRILLOS: Before we get to some small businesspeople that are here today, and perhaps they're the most important people that we want to listen to this morning, Mike Egenton, from the New Jersey Chamber of Commerce is with us.

Mike, we want to hear from you.

M I C H A E L A. E G E N T O N: Chairman Kyrillos, Senator Ciesla, and members of the Committee: I am Michael Egenton, Manager of Governmental Relations for the New Jersey Chamber of Commerce.

The Chamber strongly supports Senate Bill No. 1692, which eliminates, effective July 1, 1995, the sales and use tax on telephone yellow pages advertising.

New Jersey is the only state in our region that taxes all telecommunication services, from yellow page advertising to intrastate, interstate, and international calls and telephone hookups. New York does not tax yellow page advertising or interstate and international calls. Pennsylvania does not tax yellow page advertising and basic local residential service and subscriber line charges. Delaware does not tax any telecommunications service, since it does not have any sales tax.

In 1990, New Jersey went from the most favorable state in not taxing telecommunication services to one of the worst. That was softened somewhat by the 1 percent reduction in the sales tax rate in 1992 to the present 6 percent. However, the substantial competitive disadvantage remains, particularly in taxing yellow page advertising and interstate and foreign calls. Our largest employers are telecommunication service providers, Bell Atlantic and AT&T. AT&T is the largest employer in the State by far with about 50,000 employees as compared to the next largest employer which employs about 20,000 employees.

Although New Jersey has among the lowest telephone rates in the nation, resident taxpayers would save substantially by

removal of the tax. Businesses, especially those that are phone intensive, would also benefit from the removal of the tax.

I believe we can effectively make the argument that removal of this tax would benefit residents, help businesses currently in operation, and attract businesses that may have left New Jersey or may seek to locate here.

Without downgrading the importance of repealing the tax on all aspects of telecommunications service, the Chamber feels that from a business standpoint a priority must be given to repeal of the tax on advertising in the yellow pages.

Yellow page advertising, which is primarily used by small business, is the only form of advertising taxed in New Jersey. Small business, which was given preferential treatment in the corporate income tax credits and S corporation tax relief enacted in 1993, is being discriminated against through the yellow pages tax.

I would like to also mention that Governor Whitman, Assembly Speaker Haytaian, and Senate President DiFrancesco, at different Chamber events, stressed the importance of repealing the telecommunications tax. On Friday, January 20, the Chamber officially released our "1995 Legislative Agenda for Business" at our ninth Annual Legislative Conference at the Brunswick Hilton. Again, as in previous years, we list the repeal of the telecommunication tax as a major legislative goal of the New Jersey Chamber of Commerce.

The telecommunication tax and its repeal is a competitiveness issue that we believe would have substantial benefit for all New Jerseyans and the businesses that employ them.

Thank you, Mr. Chairman, for allowing the Chamber the opportunity to offer our views.

SENATOR KYRILLOS: Mike, thank you very much. I know we've talked about this issue often in the past, and I'm happy that

we're here today, finally beginning to take some official action.

MR. EGENTON: Absolutely.

SENATOR KYRILLOS: Senator Ciesla, any comments for Mike?

SENATOR CIESLA: No, Mr. Chairman.

SENATOR KYRILLOS: Well, thank you.

MR. EGENTON: Thank you, gentlemen.

SENATOR KYRILLOS: I hope you will go and tell your members on the upcoming New Jersey Chamber of Commerce train trip to Washington that happens on Thursday that we're serious about this, and it's going to get done in short order.

MR. EGENTON: Absolutely. Thank you very much.

SENATOR KYRILLOS: Thank you, Mike.

Now, we have some small businesspeople who signed up to testify last week, and things have changed between now and then, I'll bet. So let me just go down the list. Raise your hand if you are here.

Is Diane Hough here, from Couriers Unlimited, Red Bank?
(no response)

Okay. Diane had wanted to speak. She's not here.

Jack McGrath? Jack, why don't you come forward.

Jack McGrath is with the New Jersey Warehouse and Movers Association.

J A C K M c G R A T H: Thank you, Senator and members of the Committee.

SENATOR KYRILLOS: Jack, welcome.

MR. McGRATH: I believe the Assembly and the Senate and the Governor are well aware of our position to have this tax repealed. We welcome the opportunity to express our views. It's very important, as a majority of our members -- probably 95 percent of them -- are small businesspeople. We do recommend the repeal of this tax and are very strongly in favor of this.

SENATOR KYRILLOS: That's great. Your association represents moving companies, warehousing facilities--

MR. McGRATH: Within the State of New Jersey. There are also some members who perform interstate work and also have companies in other states. I'm also on the Board of Directors of the National Moving and Storage Association, and I participate with the American Movers Conference, so I know that they are in strong support of repeal of this, also.

SENATOR KYRILLOS: For the most part, your members aren't going to advertise anywhere else other than in the yellow pages -- or very few other places, I suspect.

MR. McGRATH: In most parts, being small businesspeople, that's where they would receive a majority of their business is through the yellow pages. And I think we're probably the first or second largest advertiser as an organization, within the State of New Jersey.

SENATOR KYRILLOS: Very good. Well, thank you very much.

MR. McGRATH: Thank you, Senator.

SENATOR KYRILLOS: Frances Kelly, from Kelly Appliances in Keyport? (no response) Not here.

Jim Falpel, (phonetic spelling) from the Front End Shop in Farmingdale? (no response) Jim is not here.

Bud DuPres, (phonetic spelling) from Leon's Carpet in Red Bank had signed up to testify. (no response) Not here.

Everybody is working extra hard because of this onerous tax. (laughter)

Dana Clark. Dana is with Ned Sickle's Overhead Doors, in Shrewsbury.

Dana, welcome. Come on up and join us. Tell us what you do.

DANA CLARK: I own a small business in Monmouth County. We're in Shrewsbury, right down the road. We install and service overhead garage doors. Needless to say, 99 percent of our business comes from yellow page advertising. Certainly print and media and other advertising works well, but when somebody has a need for a garage door -- a broken garage door --

they're not going to go to the newspapers, they're going to go to the yellow pages.

Monmouth County is broken into three sections of yellow pages. You have Red Bank, you have Freehold, and you also have Asbury Park. So, to cover Monmouth County, you have to advertise in all three sections of the yellow pages, and it gets to be rather expensive if you want to cover that very well with a half-page ad. My yellow pages, for a half page run, without color or all the extras that they offer, \$3000 a month. That's three mortgages the way that I look at it. That's roughly about \$200 a month in taxes, or about \$2400 a year that I can certainly find better places to put that money than in sales tax.

SENATOR KYRILLOS: It costs you how much a month for--

MR. CLARK: Three thousand dollars a month for yellow pages advertising for three half-page ads. Half page was the largest, and then two years ago they came out with full page, and you know, we--

SENATOR KYRILLOS: When you say, "a month"--

MR. CLARK: That's per month. My phone bill is broken down to what I actually use--

SENATOR KYRILLOS: I see. So you purchase your ad on an annual basis, but it's broken down in your phone bill each month?

MR. CLARK: Right, right. You sign up with Bell Atlantic, and you have what kind of ad you want to run. You can either run a half page, or there are different sizes. But to cover your area, to be dominant in an area, certainly a half-page ad grabs it.

SENATOR KYRILLOS: So this bill would save you-- You said \$2400 a year.

MR. CLARK: Yes, \$200 a month it would save me. And that's-- We have to install-- It breaks down, to put it in real terms, we have to put in one garage door per month to pay

for that yellow page tax. So that would free up, you know-- It's not an enormous amount of money, but it's something that we could certainly save, and it would help.

SENATOR KYRILLOS: How many employees do you have?

MR. CLARK: I have four, including myself.

SENATOR KYRILLOS: So for a slightly larger employer, let's say who employed 12 to 15 people, that conceivably is the price of an extra worker, albeit not someone particularly well paid, but somebody who needs a job that might find one.

MR. CLARK: Correct. It's a matter, too, of, you have to figure out what your yellow pages are going to run you a month when you sign up, and then you have to take into account now, you know, it's going to be an extra 6 percent on top of that. So maybe I want to cut my ad in the Asbury Park section, which is going to bring me less business and less money.

Or it's the simple fact, too, that's \$200 I could spend to upgrade my health insurance for my employees and bring a \$1000 deductible maybe to a \$500 deductible. That would be \$200 a month, so I could invest that someplace else and it would be more beneficial.

SENATOR CIESLA: The bottom line is that you're going to put it back in the business some place so you can grow.

MR. CLARK: Exactly. It's going to go right in to pay other bills, of course. But, you know, I think I can pick a better place to put that money than into 6 percent on top of what is already a -- I'm sure you can see -- is an outrageous amount of money per month.

SENATOR KYRILLOS: Did you change your advertising budget in the yellow pages to reflect the increased tax -- not the increased tax, but the new tax.

MR. CLARK: Yes, I went down from a-- To save my \$200 a month which it is costing me, I took my Asbury Park ad and went from a half page to a quarter page. So, if it is repealed, I certainly would look at picking that back up again.

Southern Monmouth County is on the move again, also.

SENATOR CIESLA: Well, Dana, I think your firm is a perfect example of why this tax doesn't make economic sense and why its repeal is truly an economic development tool.

We thank you for being here and sharing that with us.

MR. CLARK: Okay. Gentlemen, thank you for your time and your interest.

SENATOR KYRILLOS: Thank you.

Jack Campbell? Is Jack here? (no response) Jack is from Rug-a-rama in Neptune. Also signed up is Audrey Updike.

SENATOR CIESLA: Updike's Awnings?

SENATOR KYRILLOS: Yes, exactly right. From Senator Ciesla's district, Updike's Awnings and Furniture in Point Pleasant, signed up to testify.

Nobody is here. Is there anybody left in the room that has not spoken that would care to? (no response)

Curtis, I'll mention to you that for any of these people, many of whom I know you had talked to and wanted to be here to talk about their particular concerns and their example of how this tax has burdened their business, as was the case with Dana Clark from Ned Sickle's Overhead Doors, we're going to be entertaining this bill before the full Committee in Trenton in relatively short order and hopefully consider it for Committee passage and send it to the Senate floor for consideration, so we welcome their testimony at that time. If any of these folks would like to have some testimony entered into the formal recorded transcript of this hearing that the Office of Legislative Services will be preparing, they can do so, and that transcript will be available for anybody here in the room or anybody else who would like to see it as soon as it's completed.

Senator Ciesla, any comments?

SENATOR CIESLA: No. Very good, Mr. Chairman.

SENATOR KYRILLOS: Well, we thank everybody for coming. As I mentioned, I think in relatively short order, we'll be

entertaining this bill at the State House in Trenton for release from this Committee.

Thank you for being here. Meeting adjourned.

(HEARING CONCLUDED)



APPENDIX



Statement

of the

New Jersey Business and Industry Association

presented

to the

***Senate Natural Resources, Trade
and Economic Development Committee***

on

***S-1692 (Kyrillos)
(Exempts Telecommunications Directories From Sales Tax)***

January 30, 1995

The New Jersey Business and Industry Association supports Senate bill 1692 and urges this Committee to release the bill with favorable recommendation. When, in 1990, it was proposed that the sales and use tax be imposed on the sale of advertising space in telecommunications directories and on the sale of telecommunications services, our organization opposed that proposal because of its potential negative economic consequences. We have since advocated, and continue to advocate, that the tax on telecommunications directories and services be phased out.

Small businesses are the source of the majority of new private sector jobs created in New Jersey. "Yellow Pages" advertising is used by small businesses as a primary means of reaching potential customers. The enactment of S-1692 would be a positive means of encouraging small business growth and job creation. Furthermore, this bill will reestablish equity among those selling advertising space since telecommunications directories are the only form of advertising space taxable in New Jersey.

We also view action on this legislation as a positive sign that future efforts will phase out the sales tax on telecommunications services, as recommended by the New Jersey Economic Master Plan Commission and by Governor Whitman in her election campaign. We congratulate the sponsors, in both houses, for addressing this issue.

Thank you for the opportunity to testify.

2X