controlling government spending

The tax reform program provides mandatory limits — or "caps" — on spending by counties, municipalities and the state itself. The "Thorough and Efficient" Education Act enacted in 1975 imposes similar "caps" on spending by local school districts.

New Jersey has thus become the first state ever to impose statutory limits on spending at all levels of government within the state.

revenue sharing

A new Revenue Sharing program will provide an additional $50 million in property tax relief apportioned among New Jersey's 567 municipalities on a per capita basis.

The state will use another $44 million a year from the Income Tax to finance completely the cost of Senior Citizen and Veterans' Property Tax Deductions, a cost previously shared with municipalities. This additional $94 million in tax relief will be reflected in your property tax bill beginning in 1977.

commuter taxes

Many New Jersey residents already pay income tax to other states and cities where they work. These taxes, at the present time, remain unchanged. However, New Jersey commuters will not be taxed twice on any given dollar of income. And they will receive the benefits of the Homestead Rebate, Revenue Sharing and other reforms under the New Jersey tax reform program.

who says taxes are never repealed?

The tax reform program includes the repeal of the Capital Gains and Unearned Income Tax, effective July 1, 1976. Therefore, taxpayers subject to that tax must pay it only on income received during the first half of 1976.

The Unincorporated Business Tax and the Gross Receipts Tax on retail stores are also repealed, effective January 1, 1977. It also is proposed that the Sales Tax on business machinery and equipment be repealed, effective January 1, 1978.

Repeal of these business taxes should improve New Jersey's business climate to the benefit of all residents.

further questions?

For more information about the state income tax or tax reform program:

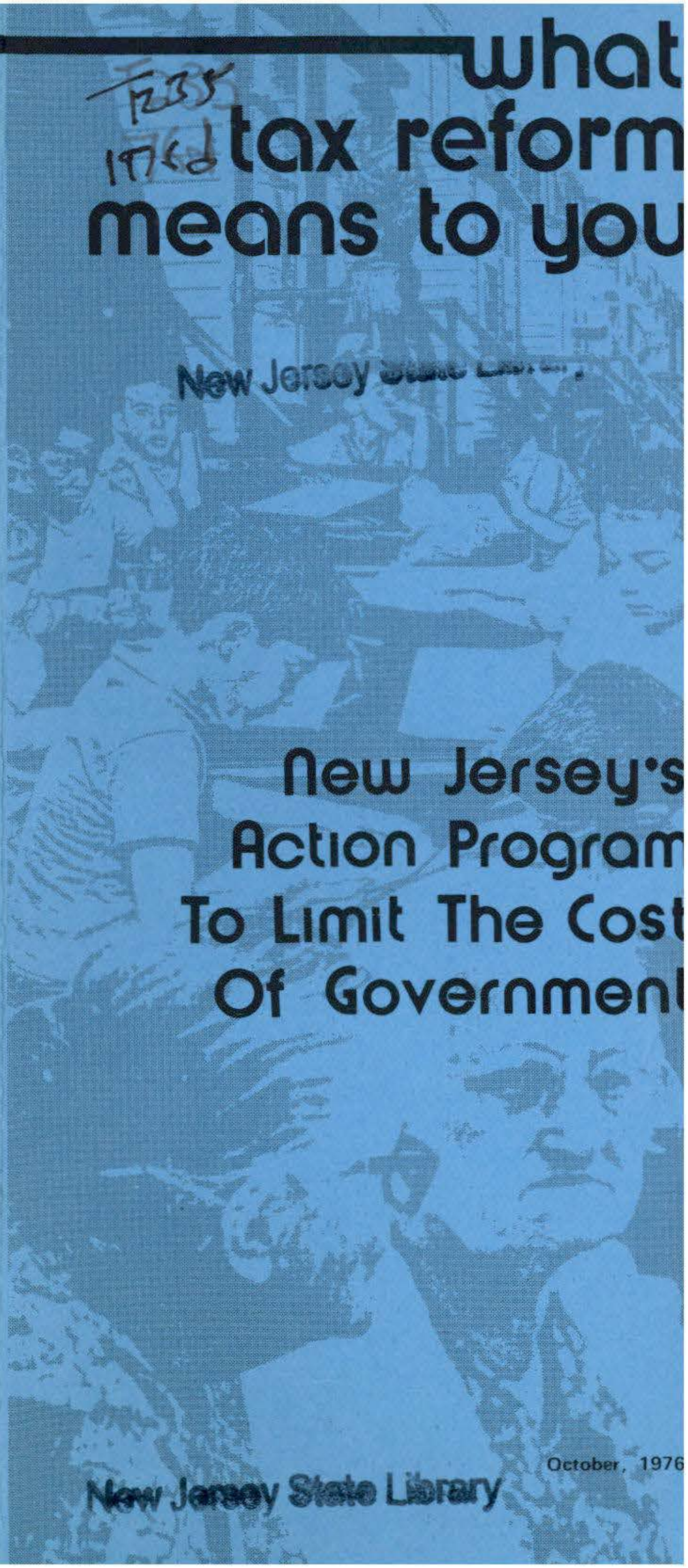
CALL 609–394–1900 (during normal business hours)

OR WRITE: New Jersey Division of Taxation
Taxpayers Information Services
West State and Willow Streets
Trenton, N. J. 08625

prepared by:
STATE OF NEW JERSEY
Department of the Treasury

DON'T FORGET to deduct your state income tax payment if you itemize deductions on your federal income tax return. Calculate your state tax before completing your federal return.

what tax reform means to you



New Jersey's Action Program To Limit The Cost Of Government

October, 1976

the state income tax

why it's needed

The New Jersey Supreme Court ruled in 1973 that the existing method of financing public schools was unconstitutional, primarily because it relied too heavily on inequitable property taxes.

The Court did not prohibit the use of local property taxes for schools. It said that under the State Constitution, education is a state function, and therefore the state was required to pay a larger share of school costs in order to equalize local property tax burdens.

The Legislature, after exploring many ways of financing additional school aid and providing property tax relief, concluded that only an income tax based on ability to pay provided a fair and permanent source of revenue to ease the burden on local property taxpayers.

The income tax will provide $374 million in additional state aid to local schools, $151 million in Homestead Rebates and Tenant Credits, and $47 million in increased payments to local governments the first year.

Income tax revenues are totally dedicated to local aid —— NONE of the money will be spent by state government, except one per cent needed to administer the new tax.

who must pay?

The New Jersey income tax has no loopholes —— it applies to all residents who have a gross income of more than $3,000.
Gross income includes all income except:

- Social Security benefits
- Certain death benefits, pensions and annuities
- New Jersey Lottery winnings
- Compensation for injuries or sickness
- Railroad retirement benefits
- Gifts, inheritances, scholarships and fellowships
- Unemployment insurance benefits
- Interest from New Jersey and U.S. bonds

The tax is levied at a rate of 2 per cent on the first $20,000 of income. Any portion of income over $20,000 is taxed at 2.5 per cent.

exemptions and deductions

The following exemptions and deductions are allowed in calculating taxable income:

- $1,000 personal exemption for each taxpayer, spouse and dependent.
- $1,000 *additional* exemption for each taxpayer or spouse who is a senior citizen (65 or older), blind or disabled.
- $1,000 *additional* exemption for every child attending a private elementary or secondary school and for each full time college student under the age of 22 for whom the taxpayer paid at least half of tuition and maintenance costs.
- Court ordered alimony and separate maintenance payments are deductible. Child support is not.
- Medical expenses are deductible to the extent that they exceed 2 per cent of gross income.

the tenant credit

After the tax due is calculated, tenants may subtract a Tenant Credit of $65. An *additional* Tenant Credit of $35 may be subtracted if the tenant is a senior citizen (65 or older), disabled, or a senior citizen's surviving spouse (age 55 or older) who has not remarried. Co–op apartment residents may subtract the Tenant Credit.

In addition, the law requires that tenants share in property tax savings realized by their landlord.

this year only

- For the year 1976, the tax applies to income earned or received beginning July 1, 1976 through December 31, 1976.
- Because the first year of the tax is a half year, exemptions are half the regular amount -- $500 for each taxpayer, spouse and dependent and $500 for any additional exemptions.
- The Tenant Credit is also half —— $32.50 plus an additional $17.50 for tenants who are over 65, disabled or an eligible surviving spouse.
- State income tax forms will be mailed to residents in January and February, 1977.
- The deadline for filing state tax returns is April 15, the same date that federal income tax returns are due.

the homestead rebate

New Jersey's 1.4 million homeowners and condominium residents are eligible for a Homestead Rebate twice a year.

In order to collect, you must file an application by November 1, 1976. Application forms are available at your local Tax Assessor's office, Motor Vehicle stations, State Employment Service offices, and at many banks, shopping centers, and senior citizen centers.

Your rebate will be mailed to you every six months beginning in April, 1977. It will be calculated by a formula based on the assessed and true value of your home and the effective tax rate of the municipality in which you live.

The average rebate statewide will be $190. Homeowners who are senior citizens (65 or older), disabled, or surviving spouses (55 or older) who have not remarried, will receive an additional $50, bringing their statewide average rebate to $240. Those eligible for the $160 Senior Citizen Property Tax Deduction will continue to benefit from it.

If you own more than one home, you will receive a rebate only on your principal place of residence.