

PUBLIC HEARING

before

ASSEMBLY TAXATION COMMITTEE

on

ASSEMBLY CONCURRENT RESOLUTION NO. 191

(Dedication of an Income Tax)

Held:

February 13, 1975

Assembly Chamber

State House

Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Steven P. Perskie (Chairman)

Assemblyman Willie B. Brown

Assemblyman Paul Contillo

Assemblyman Walter E. Foran

Assemblyman John H. Froude

Assemblyman Francis J. Gorman

Assemblyman Gordon A. MacInnes

Assemblyman John A. Sweeney

\* \* \* \*





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ASSEMBLY CONCURRENT RESOLUTION No. 191

STATE OF NEW JERSEY

INTRODUCED JULY 22, 1974

By Assemblymen LITTELL, FORAN, WEIDEL, SNEDEKER,  
KEAN, Assemblywoman BURGIO, Assemblymen ORECHIO,  
RYS, CHINNICI, EWING, HURLEY, SPIZZIRI, SALKIND,  
and VAN WAGNER

Referred to Committee on Taxation

A CONCURRENT RESOLUTION proposing to amend Article VIII,  
Section I, of the Constitution of the State of New Jersey.

1 BE IT RESOLVED *by the General Assembly of the State of New*  
2 *Jersey (the Senate concurring):*

1 1. The following proposed amendment to the Constitution of the  
2 State of New Jersey is hereby agreed to:

PROPOSED AMENDMENT

3 Amend Article VIII, Section I by adding a new paragraph 5  
4 as follows:

5 5. No tax shall be levied on the personal incomes of **\*\*[citizens**  
6 **and residents]\*\*** *\*\*individuals, estates and trusts\*\** of this State  
7 unless all annual net receipts therefrom shall be received into the  
8 treasury, placed in a perpetual fund and be annually appropriated,  
9 pursuant to formulas established from time to time by the Legis-  
10 lature, to the several counties, municipalities and school districts of  
11 this State for the purpose of reducing **\*[local]\*** property taxes;  
12 and it shall not be competent for the Legislature to borrow, appro-  
13 priate or use the said perpetual fund or any part thereof for any  
14 other purpose **\*[**, under any pretense whatsoever**]\***.

1 2. When this proposed amendment to the Constitution is finally  
2 agreed to, pursuant to Article IX, paragraph 1 of the Constitution,  
3 it shall be submitted to the people at the next general election  
4 occurring more than 3 months after such final agreement and shall  
5 be published at least once in at least one newspaper of each county  
6 designated by the President of the Senate and the Speaker of the

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill  
is not enacted and is intended to be omitted in the law.

7 General Assembly and the Secretary of State, not less than 3  
8 months prior to said general election.

1 3. This proposed amendment to the Constitution shall be sub-  
2 mitted to the people at said election in the following manner and  
3 form:

4 There shall be printed on each official ballot to be used at such  
5 general election, the following:

6 1. In every municipality in which voting machines are not used,  
7 a legend which shall immediately precede the question, as follows:

8 If you favor the proposition printed below make a cross (X),  
9 plus (+) or check (✓) in the square opposite the word "Yes."  
10 If you are opposed thereto make a cross (X), plus (+) or check  
11 (✓) in the square opposite the word "No."

12 2. In every municipality the following question:

	Yes.	Shall the amendment agreed to by the Legislature, to amend Article VIII, Section I of the Constitution of the State of New Jersey by adding a new paragraph to provide that all annual receipts of any State tax levied on personal incomes of <b>**[citizens and residents]**</b> <i>**individuals, estates and trusts**</i> of this State shall be annually appropriated to the several counties, municipalities and school districts of this State for the purpose of reducing <b>*[local]*</b> property taxes, be adopted?
	No.	



ASSEMBLYMAN STEVEN P. PERSKIE (Chairman):

Good morning, ladies and gentlemen. This is a scheduled public hearing on Assembly Concurrent Resolution 191. The present version of the ACR is contained in the second official copy reprint, the ACR having been amended initially by the Assembly Taxation Committee and later on the floor of the Assembly.

I would like to acknowledge, for the record, receipt of the following:

A resolution of the Mayor and Council of the Borough of Franklin as follows: "that the Borough Clerk be and she is hereby authorized to notify the Assembly Taxation Committee, along with the Assemblymen of the Fifteenth Legislative District, Robert E. Littell and Robert C. Shelton, Jr., that the Mayor and Council of said Borough at a meeting held on February 10, 1975, unanimously endorsed the adoption of A.C.R. No. 191." It was signed by Rose S. Fletcher, Borough Clerk, and duly certified.

A letter under date of February 10, 1975, addressed to Robert Littell from Clifton E. Lawrence, the Superintendent of the Sussex - Wantage Regional School District, which reads as follows: "With reference to ACR-191 or any new tax bill, it must be dedicated and not go in the general treasury. The monies raised should be dedicated to reducing property taxes by supplying monies to municipalities and school districts. There needs to be relief for the local taxpayer or new taxes will not pass the vote of the person who pays them."

A letter under date of December 2, 1974, from Morris R. Wilson, Clerk of the Board of Chosen Freeholders of Warren County, addressed to Robert Littell which reads as follows: "At the meeting of the Board of Chosen Freeholders held November 27, 1974, the

Constitutional Amendment, ACR-191, was discussed. I have been directed by the Board of Chosen Freeholders of the County of Warren to inform you that this Board supports this Constitutional Amendment as proposed by Assemblyman Robert E. Littell."

A letter under date of December 3, 1974, addressed to Assemblyman Littell, from the Township Administrator of Andover Township, Thomas V. Finan, which reads as follows: "Please be advised that at its regular meeting of November 26, 1974, the Township Committee of the Township of Andover publicly went on record as supporting your proposed Constitutional Amendment, ACR-191." The rest of the letter is supportive of it and will be contained in the record. (Letter may be found at 1 X.)

A letter from Harold K. Stecker, the Mayor of Mansfield Township in Warren County, under date of November 26, 1974, addressed to Assemblyman Littell, which is, again, supportive of ACR-191, and that letter will be included in the record. (Letter may be found at 2 X.)

Lastly, a letter from the Mayor of Lafayette Township in Sussex County, Carl R. Luthman, addressed to Assemblyman Littell. This letter will also be included in the record, but I take issue with the categorization of the casino gambling effort as a "nonsensical piecemeal approach" to the State's fiscal crisis. (Letter may be found at 3 X.)

We also have a statement presented to us by Assemblyman Littell, which will be included in the record. Bob, in the interest of time, we would appreciate it if you would summarize your statement, knowing that the entire text of it will be included in the record. (Statement may be found at 4 X.)

ASSEMBLYMAN SWEENEY: Mr. Chairman, before



we go on, I have a request to make. I understand that there will be several other letters coming in from Mayors of various municipalities, and I would request that they be made a part of the record.

ASSEMBLYMAN PERSKIE: Any such communications that are received, at whatever time, will be included in the record of the proceedings.

ASSEMBLYMAN SWEENEY: Thank you.

ASSEMBLYMAN PERSKIE: Good morning, Assemblyman Littell. Please go ahead.

A S S E M B L Y M A N R O B E R T B. L I T T E L L:  
Thank you, Mr. Chairman, and members of the committee.

The introduction of ACR 191 came as a result of the recommendations of many of the citizens and constituents in our district. In the aftermath of the Byrne tax proposal and the Cahill tax proposal, the message was loud and clear that the people of this State want a new tax only to be used for the reduction of an existing tax or as a replacement tax. As a result of that, I drafted ACR 191 which would dedicate all the revenue from an income tax to the reduction of the local property tax. The property tax is the tax that so overburdens the citizens of our State that it makes the retention of a home by senior citizens and those on fixed, limited incomes very difficult, especially in these times of high inflation.

The idea of dedication is not one that is new. Some people have always been for it, and some have always been against it. If you go back to the Constitutional Convention of 1947, you will find that one of the reasons they went away from dedication in the State of New Jersey was that the State of Michigan at that time had a dedicated tax, when Soapy Williams was Governor, and they were unable to pay their other bills. They could not even pay their help, but they had

money in this dedicated fund. I find that the people of our State are sick and tired of seeing programs changed and money that was set aside to be used for tax reduction being siphoned off into other programs and things for which they were not intended.

If you start with the cigarette tax, about 25 years ago, it started out at 3¢; it is up to 19¢ now. That was designed to relieve the educational problems of the State of New Jersey. Today we have the sales tax, which started out at 3 percent and is now up to 5 percent, and which was to provide property tax relief to the citizens of the State of New Jersey. As you know, the meager \$25 million that has been going back has now been recommended by the administration to be left out of the state aid programs in the next fiscal budget. In addition to that, we have a \$9 million shortage because of a freeze on budgets that were drafted and voted upon last February in the existing school year, the one that ends June 30, 1975. A lot of people are disappointed in the funds from the lottery. I am sure all of you have heard all of these comments from your constituents.

The idea here is that this would be a new tax base, a tax base that cannot be eroded, cannot be diverted, and cannot be borrowed upon or used for any other purpose than what it is intended to be used for. I find that this is what the citizens of my district want, and I find that, by talking in this vein, the attitude of the citizenry in our area has changed from one that was adamantly opposed to one that is acceptable and desirous. I think you will find that the citizens of the State, at whatever level, want property tax relief.

It is opened to the extent that it is not dedicated to education. It is not dedicated to



education because you will have the constant tampering of school aid formulas if you do dedicate it solely to education. By leaving it to the reduction of property tax, you say to the Legislature that you can provide property tax relief for the municipalities and the counties as well as the school districts. I am sure that you all know that they have the same problems every year; that is, those related to inflation. The people who work for them want to be paid more, and the products they have to buy to supply the necessary services cost more. That is a very basic thing that we can all understand.

I do not think that this will be restrictive in the way that some dedicated taxes are, and I think that it will be a great benefit to the citizens of the State of New Jersey to once and for all have a tax that they can count on and know exactly where it is going.

ASSEMBLYMAN PERSKIE: I have to leave for a minute, and I want to get one question, specifically, in the record. Is it your understanding that if this amendment were to be adopted, any of the existing state aid programs, as we know them, that are presently included in the State's budget, would be eligible for inclusion in this separate perpetual fund that you described?

ASSEMBLYMAN LITTELL: Yes, sir, Mr. Perskie, it is my understanding. As a matter of fact, I envision an eventual phasing out of the funding of state aid projects from the general fund to a complete funding of state aid projects from a dedicated fund.

ASSEMBLYMAN PERSKIE: That is the only question I have. I do apologize for having to leave. Mr. Foran will conduct the hearing in my absence.

ASSEMBLYMAN FORAN: Do any members of the committee have any questions of Mr. Littell?  
Mr. Mac Innes.

ASSEMBLYMAN MAC INNES: At the time that this was introduced, back in July, there was talk about a \$200 million budget deficit. Today the Governor's proposed budget has a deficit of \$487 million built into it after considerable cuts have been made with the samllest increase in years in a New Jersey State budget. If ACR 191 were to be enacted, I assume that no funds from a tax on personal income could be used for taking care of the deficit as it relates to state services. Is that correct?

ASSEMBLYMAN LITTELL: Not necessarily so, Mr. Mac Innes. You have to bear in mind that there is about \$1.2 billion or \$1.3 billion coming out of the state budget now for one form of state aid or another to the municipalities, counties, and school districts. If, for instance, we were to pass a \$1 billion income tax in the State of New Jersey with half of it used to replace existing funding out of the general fund with dedicated funds and half of it used to reduce the property taxes, what you would have would be a making up of the so-called shortfall, if that is what the amount is, and a funding of a new amount to help reduce the property taxes. That is one of the possibilities. There are many possibilities.

ASSEMBLYMAN FORAN: Assemblyman Littell, if ACR 191 is passed by both houses in an income tax package, is it true that this cannot be acted upon until November? If the income tax is effective in July, or whatever the effective date, is it not true that the funds raised by the income tax prior to the approval or disapproval of ACR 191 could be used in the general treasury?



ASSEMBLYMAN LITTELL: Yes, sir, that is true.

ASSEMBLYMAN FORAN: That would probably take care of the shortfall or any programs cut out of the budget, would it not?

ASSEMBLYMAN LITTELL: Yes, sir.

ASSEMBLYMAN FORAN: Are there any other questions from the committee? (No questions) Thank you, Mr. Littell.

ASSEMBLYMAN LITTELL: Thank you, Mr. Foran. I presented to you a list of people from Sussex and Warren Counties who have come here today. Some were not able to make it, but I would appreciate your hearing from those who are here.

ASSEMBLYMAN SWEENEY: Assemblyman Littell, may I ask you a question, before you leave, as a follow-up to Assemblyman Foran's question? If we were to develop a tax program that would be viable before this ACR could be put on the ballot, have you contemplated putting in a bill to accomplish this purpose prior to the ACR, assuming that it will pass, going on the ballot?

ASSEMBLYMAN LITTELL: Assemblyman Sweeney, as you know, I did not introduce an income tax bill per se because I personally favored Assemblyman Hamilton's income tax which is the adjusted gross income tax.

ASSEMBLYMAN SWEENEY: I am not talking now about an income tax bill. Some of those bills are already in, and some have been acted on. What I am talking about is this: To produce the effect that your ACR suggests, we could do it this year, could we not, without the necessity of a referendum?

ASSEMBLYMAN LITTELL: Do you mean by the dedication of funds legislatively?

ASSEMBLYMAN SWEENEY: Yes.

ASSEMBLYMAN LITTELL: Yes, we could do that legislatively.

ASSEMBLYMAN SWEENEY: Assuming that this type of dedication receives favorable review by the committee and the public generally, would you consider, then, a bill to accomplish this same purpose prior to November?

ASSEMBLYMAN LITTELL: Yes, I certainly would, and I think that the distribution certainly has to be talked about. As you know, I favor your distribution plan that I worked on with you. I feel that that is something that has to be worked out. The object is, of course, to provide a guarantee to the people that once and for all they will have a tax that will not be diverted or used for any other purpose such as increases in salaries for department heads or the Governor or the Legislature, expanding old departments, or creating new departments. I think the citizens of this State do not want a new tax for the purpose of a new tax. They want a new tax for the purpose of reducing an existing tax.

ASSEMBLYMAN PERSKIE: Are there any other questions? Mr. Contillo.

ASSEMBLYMAN CONTILLO: About half of the budget is now returned to municipalities in one form or another. Half the money the State spends is, in some form, returned to the municipalities. Is this, in any way, going to prevent that money from being used for those purposes? Will it replace the money now being sent back to the municipalities?

ASSEMBLYMAN LITTELL: No, sir, it would not. As I said before, I envision, in the long-run, a dedicated fund that would be used for the reduction of property taxes to replace money that now is supplied out of the general fund. Eventually, it can all be phased into this dedicated fund. That is my personal belief. That would leave the taxes that supply money to the general fund for the needs and the purposes of other state programs.

ASSEMBLYMAN CONTILLO: But I do not see anything here in the bill that would require that. In other words, it seems to me that it would be possible for the money to be taken into the state treasury and used to replace the present school aid or the present state aid to roads, etc. It could simply be a replacement of whatever funds are now being raised which go from the State to the local municipalities.

ASSEMBLYMAN LITTELL: I do not feel that you need something like that in the Constitutional Amendment. That comes with your legislation which this Constitutional Amendment authorizes to be drafted from time to time.

ASSEMBLYMAN PERSKIE: Are there any other questions from committee members? (No questions) Assemblyman Littell, thank you very much. As you already know from previous discussions with this committee, the committee as a whole finds substantial merit in this proposal.

Senator Dumont, would you care to testify this morning?

S E N A T O R   W A Y N E   D U M O N T: Mr. Chairman and members of the committee: I will make this short because there is a lot doing today.

The general purpose of this amendment I subscribe to, although I want to make it clear that I am not a great believer in dedication. I am inclined to feel that the people who drafted the Constitution in New Brunswick in 1947 were right when they said that there should not be dedication of any particular tax to any particular purpose. I would somewhat prefer if this were limited to the dedication of an income tax to state aid to school districts rather than the broad concept of providing dedication for the counties

and municipalities and school districts. It would seem to me that that could lead to a much larger personal income tax than we would otherwise need. However, I do want to support Assemblyman Littell's Resolution and the concept of the Resolution overall.

Obviously, if the only purpose in passing a new tax is simply to add to the burden of the taxpayers and not to reduce the expenditures they already have to face in a very high property tax situation in New Jersey, then it is not going to be of much value, generally, to the people of the State. However, as I say, I think that this amendment is a little bit on the broad side. Yet, I do support the concept, and I would simply like to add my statement in respect to that.

ASSEMBLYMAN PERSKIE: Does anyone on the committee have any questions? (No questions) Senator, we appreciate your taking time to testify before us.

SENATOR DUMONT: Thank you for giving me this opportunity.

ASSEMBLYMAN PERSKIE: We have a list of those persons who have expressed an interest in making a statement. Everyone who expresses such an interest will be heard. However, I do want to note this: The committee has a meeting this morning following this session at which time we must consider two items of critical importance which must be taken care of today. Therefore, we would appreciate your indulgence. If you have a prepared statement, please submit it to us, and we will see that it is included as a whole in the record. Otherwise, please be good enough to keep your testimony succinct and to the point. If there is anyone who wishes to testify and has not yet so indicated, please see Mr. Deardorff, who is two seats to my right. The next speaker will be Edward Zukowski.



E D W A R D   Z U K O W S K I: As a member of the governing body of the town of Newton, I feel that the only way the people in the town in which I live would buy any type of an income tax would be if they saw some relief in the property tax. I think they have seen the sales tax and the lottery, and they have not seen a reduction in their property tax. So, I believe that in Bob Littell's district and in my hometown, the people will buy it only if they see relief in the property tax. That is the reason I am for it. Thank you.

ASSEMBLYMAN PERSKIE: Do you feel that if this amendment is on the ballot, it will pass heavily in your area?

MR. ZUKOWSKI: Yes, I do.

ASSEMBLYMAN PERSKIE: Are there any other questions? Assemblyman Sweeney.

ASSEMBLYMAN SWEENEY: You are pretty close to the people, being a member of the local governing body, are you not?

MR. ZUKOWSKI: Yes, sir.

ASSEMBLYMAN SWEENEY: I assume that you have had a chance to discuss this matter with them, more so probably than Mr. Littell or any of the other state representatives have.

MR. ZUKOWSKI: Yes.

ASSEMBLYMAN SWEENEY: Very briefly, will you give us some idea of the response that you have gotten in connection with the proposed dedication as set forth in ACR 191 and in connection with an income tax generally?

MR. ZUKOWSKI: In talking to people, they are not buying an income tax unless they see something in property tax relief.

ASSEMBLYMAN SWEENEY: Your opinion is, then,

that they would, in all probability, go for one if substantial property tax relief would be a result of a new tax.

MR. ZUKOWSKI: Right.

ASSEMBLYMAN PERSKIE: Are there any other questions? (No questions) Mr. Zukowski, we appreciate your coming down here today. Thank you very much.

MR. ZUKOWSKI: Thank you.

ASSEMBLYMAN PERSKIE: Richard DeaneY.

R I C H A R D D E A N E Y: I am the Town Manager of Newton. I have a short statement that the Town Council would like to present for the record. I would like to read one paragraph of that statement that I think is pertinent. (Statement may be found at 8 X.)

ASSEMBLYMAN PERSKIE: Please do.

MR. DEANEY: "We believe that the reduction of the significance of the property tax at the local level will have great side benefits in that municipal governments will no longer make planning and zoning decisions based heavily on the ability to attract ratables but rather on the ability of the property and of the community to support the use proposed including those uses now tax exempt." The point of that is that planning and zoning decisions on the local level are often made on the basis of what heavy tax ratable can be gotten. If we can get that planning and zoning emphasis to reflect the proper uses for the land and the ability of the community to provide the services to those uses rather than on how many ratables it will bring, I think we will all benefit in the State of New Jersey.

ASSEMBLYMAN PERSKIE: That is a very good point. Are there any questions? (No questions) Thank you, sir. We appreciate your coming and appreciate,

particularly, your last suggestion which I hope will be noted by the staff and reflected in the committee report.

MR. DEANEY: Thank you.

ASSEMBLYMAN PERSKIE: David Adler.

D A V I D A D L E R: Members of the committee: I am David Adler, Superintendent of Schools in Newton, New Jersey. It is a privilege today to support Bob Littell's proposal.

Newton is a town which has about a 30th percentile ability to pay for its schools. Its effort in the last 15 years has approximated a 90th percentile. The people of our community are trying very, very hard, financially, to support a "thorough and efficient" educational program, a concept that community held before it became so popular.

We are continually pressed to respond adequately, in terms of financial resources, to the mandates of the State Legislature for school improvements, for child study teams, for transportation enlargement, for better buses, etc. The time has come, I think, for the State, in order to carry its fair share of what it mandates to our local people by way of increased costs for education, to dedicate a specific tax for that purpose. Consequently, although I too am not particularly impressed with the notion of dedicated taxes, under the prevailing circumstances, I see no alternative.

ASSEMBLYMAN PERSKIE: Can you give us some idea of what your tax rate is locally?

MR. ADLER: The tax rate locally for schools is \$4.27.

ASSEMBLYMAN PERSKIE: Just for schools?

MR. ADLER: Yes.

ASSEMBLYMAN FORAN: Is that equalized?

MR. ADLER: That is equalized. For the total tax rate, I believe it is something over \$6 - \$6.05.

ASSEMBLYMAN PERSKIE: Well, then, your statement that you have been trying very hard is substantiated in the record.

MR. ADLER: Yes, the record is quite clear on that.

ASSEMBLYMAN PERSKIE: Are there any other questions? (No questions) Thank you very much, sir. We appreciate your taking the time to testify. Patrick Fitzgibbons. (No response) Earl Schultheiss. Mr. Schultheiss, the Mayor of Stillwater Township, has submitted a statement which will be included verbatim in the record. Mayor, would you care to summarize your statement?

E A R L S C H U L T H E I S S: Before I start, I want to introduce Mrs. Elsie Roof, who is President of our school board. Would you please stand, Elsie?

ASSEMBLYMAN PERSKIE: Thank you for coming, Mrs. Roof.

MR. SCHULTHEISS: She essentially backs what I have to say. We do not always agree, but she is agreeing with me today.

ASSEMBLYMAN PERSKIE: That in itself is worthy of inclusion in the record.

MR. SCHULTHEISS: That is success. Instead of summarizing my statement, it will be just as easy to read it in full.

As Chairman of the Stillwater Township Committee, I want to impress on this legislative committee that I have found most of my constituents in favor of an income tax that has been dedicated by Constitutional Amendment and popular referendum to replace, dollar for dollar, the local property tax. In no way would they accept an income tax that could become another



tax on top of the present property tax as they have seen happen in neighboring States.

My constituents and others I have talked to would like to see the income tax take over the total support of the educational system where the State would become the tax collector and supply each school board with funds, on a per pupil basis, to pay for an equal and good education for all. Such an education would include the 3 R's, physical education, history, industrial arts, and social studies as well as transportation to school, but no frills. They are willing to raise the \$2.5 billion with income tax to replace the nearly \$2 billion property tax and state aid money now raised. We would like to see the elimination of school aid formulas and special grants and go to a straight per pupil payment.

Further, we would like to see an income tax that did not build up billions in surplus, but a tax whose rate was a direct function of the need adjusted year by year and well controlled.

We don't want to see an income tax connected to an openend welfare program or a growing bureaucracy.

Gentlemen and ladies, I have not given much detail on some of the solutions to administrative problems of this tax. We would be happy to supply you with our thoughts when needed. We are only trying now to say that we want a straightforward tax program based on ability to pay and fully controlled by the people. Each area, and this is important, that is going to be supported by an income tax must be approved by a popular referendum. Nothing should be left to bureaucracy. We suggest again: Start with the schools. About 60 percent of the local tax burden is school related.

The state budget can well live on the other existing sources of income, especially if they are

relieved of the school aid program. In short, we support ACR 191.

ASSEMBLYMAN PERSKIE: Mayor, we appreciate your remarks. Are there any questions? (No questions) Thank you, Mr. Mayor. I notice that Assemblyman Van Wagner has joined us. Would you care to give us the benefit of your thinking on this question?

A S S E M B L Y M A N   R I C H A R D   V A N   W A G N E R:  
Good morning, Assemblymen.

My purpose in testifying on behalf of ACR 191 is the same purpose I had in just recently introducing legislation which would, in effect, hopefully be a compromise package for acceptance by the Legislature. I think ACR 191 would probably go further toward crystallizing the position of the Legislature in terms of its manifest intention to bring about significant tax reform in the State of New Jersey. I think ACR 191 answers many of the objections that have been raised by members of the Legislature as well as by the public in regard to the use of revenues that would be raised as a result of any new forms of revenue-raising measures that we might entertain. I think the fact that the monies are specifically dedicated for the purposes that are set forth in the Resolution clearly expresses the intention of the Legislature to bring about significant tax reform in the State. It is for this reason that I endorse and support ACR 191.

Thank you, Mr. Chairman.

ASSEMBLYMAN PERSKIE: Thank you, Mr. Van Wagner. Are there any questions by the committee? (No questions) Ray Stem.

R A Y M O N D   S T E M: Mr. Chairman, I am a freeholder in Warren County, and I am also a town councilman in the town of Phillipsburg.

Last night we had a meeting with the school board, and after the town council spent several hours trying to reduce the tax rate 3¢, we found that the school board is going to increase its budget \$900,000, which is about 90¢. We know that the people in the town of Phillipsburg will not stand for something like that. So, we have problems.

One of the problems is that the school board finds itself in a position of being about \$45,000 short because of certain things that happened last year and this year. The superintendent, I believe, is hoping that two or three teachers might leave the school system prior to the end of the year so he can make up this \$45,000.

This is the situation in which we find ourselves.

A great many of our expenses are mandated by the State of New Jersey. I think that over 60 percent of them fall into that category, and I think that you gentlemen here in Trenton, including our Governor, have a responsibility, in the future, to provide the funds whenever you mandate a program. Two of the recent programs that have been very, very upsetting to me are the judges' pension program and salary and adding additional judges without any funds. Also, I might say, Mr. Chairman, this was done in the middle of the fiscal year.

During 1972 and 1973, when I campaigned in Warren County, there were two things that the people were most concerned with. One was relief from property tax, and the other was their concern with the high cost of living.

I would like to repeat two of the things that my good friend, Bob Littell, said. I am not sure whether Senator Dumont or former Governor Meyner was a Senator from Warren County when the 3¢ tax was put on cigarettes. We were all under the impression that this was to go for education. Since that time, there have

been other taxes and burdens put on the taxpayers of the State of New Jersey that were supposed to be dedicated, in one way or another, to education and to reducing the property tax. We find that it has gone into the general fund, and everybody enjoys doling it out for purposes other than education.

I am not sure that I could consider myself an expert on dedicated taxes, but the freeholders in Warren County support Bob Littell in this Assembly Concurrent Resolution 191 because we believe that if we are going to have a fair education for all children in the State of New Jersey, and if we are to get some relief for the property owner, some type of income tax, as distasteful as it might be to all of us, if it is going to reduce the tax, will be supported by the people in Warren County, I believe.

ASSEMBLYMAN PERSKIE: Does any member of the committee have any comments or questions?  
(No questions) Thank you very much, sir. We appreciate your taking the time to testify today.  
Art Sears.

A R T H U R S E A R S: Good morning, gentlemen. I have prepared a statement. Maybe it would be better if I summarized it.

ASSEMBLYMAN PERSKIE: If you will please summarize it, we will include the entire statement in the record. (Statement may be found at 9 X.)

MR. SEARS: Thank you. My position is that of tax assessor for the township of Fredon, and I served as Mayor formerly, on the township committee for four years, and on the local board of education for four years. I have seen our tax rate escalate considerably in the township. What I present here is a synopsis of what has happened over the last five years to the Fredon tax rate in relation to the



support necessary for schools. Currently, our schools have been running about 75 percent of our local property tax rate in order to meet the tax funds necessary for support. This, coupled with the county tax, has become quite a burdensome thing. Currently, our tax rate is about \$5.59, and we are looking at one of better than \$6 for the year of 1975.

In discussion with the residents of Fredon and the County of Sussex, it seems that the only way they will accept a new tax to support this type of thing would be through this ACR 191 which dedicates the income toward the reduction of property taxes. It is something that we all, maybe, do not like to see, but it is something that has to come, in my opinion. I believe that the constituents of Sussex County, 15th district, would support such a bill.

ASSEMBLYMAN PERSKIE: Thank you, Mr. Sears. Are there any questions or comments from anyone on the committee? (No questions) Thank you again, sir.

ASSEMBLYMAN LITTELL: The next four people on the list, Dr. Mc Carroll, John King, Joseph Stillo, and Steve Horvath, who, in addition to being Mayor of Alpha Boro, is the President of the State League of Municipalities, were unable to be here today. They are going to, however, send letters or telegrams in support of ACR 191.

ASSEMBLYMAN PERSKIE: For the record, we will, of course, include their comments, whenever they arrive, as part of the official record. Robert Aiken.

R O B E R T M. A I K E N: Mr. Chairman and members of the committee: I appreciate this opportunity. I am Robert Aiken, Superintendent of the new Kittatinny Regional School District which is comprised of 135 square miles of five townships in Sussex County: Fredon, Hampton, Stillwater, Sandyston, and Walpack. This

September we are opening a brand new six-year high school for which there are no funds available, of course, on a first-year basis. As a result of this, of course, the impact of taxes on the property owners is astronomical. It is, in fact, a problem as to whether or not we can expect even limited support for our budget. It seems likely that the budget will be rejected which will require that a lot of other necessary work be done.

ASSEMBLYMAN PERSKIE: Do you have a voted budget?

MR. AIKEN: Yes. So it is that we, in my board of education, along with the other people that are representing Sussex County today, would certainly like to see this measure by Mr. Littell passed.

ASSEMBLYMAN PERSKIE: Are there any questions? (No questions) Thank you, sir. We appreciate your taking time to be here today. I have the names of two other persons who have indicated that they wish to speak today. For those who may have come in late, if you wish to speak on ACR 191 and have not as yet given us your name, please see Mr. Deardorff, who is sitting two seats to my right.

The next witness will be Cable Spence from the New Jersey Farm Bureau.

C A B L E     S P E N C E:    I have a brief statement, Mr. Chairman.

Mr. Perskie and members of the panel, I am Cable Spence. I am the Secretary of the New Jersey Farm Bureau.

I appear here today on behalf of the New Jersey Farm Bureau, a non-profit, voluntary association of over 4,000 farm families in 20 counties, including farmers engaged in every type of agricultural production found in New Jersey.

Farmers in New Jersey have the misfortune of being the highest taxed in the nation. Even with the Farmland Assessment Act of 1964, our member farmers have been unable to escape this unsought status. Because farmers want to farm and because New Jersey farmers, in particular, have been able to make maximum use of a minimum of land, and because the citizens of New Jersey voted overwhelmingly in 1963 to provide a means to preserve farmland and open space, farming has been allowed to continue in the Garden State.

This does not mean that the future of farming in New Jersey is secure. There are constant attempts to alter the Farmland Assessment Act to the detriment of farmers.

Because New Jersey is so highly urbanized, any amount of open space is extremely visible, especially cultivated fields. Those who do not understand the economics of farming see this open space as a target for additional revenue and continue their attempts to undermine the method of taxation which was designed to permit open space to remain intact.

Land is a premium in New Jersey and will remain so for many years to come. Furthermore, who has more land under private ownership than farmers at this point in time? As long as the property tax is the base revenue in this state, the threat of losing valuable farmland and

the remaining open space will stay constant.

It is obvious to all, I am sure, that farmers need many things to successfully grow food in sufficient quality and quantity to feed us all. But the basic requirement is land. Without land there can be no farms. History has shown quite clearly that, while the property tax is predominant, this land must be taxed under a more pertinent set of guidelines - if it is to stay productive farmland. Yet with fiscal shortfalls at local and state levels, farmers continue to have a Damoclean Sword hanging over their heads, threatening them with the loss of their basic survival tool - the Farmland Assessment Act.

Farmers are not alone in this situation. Every property owner in the State has reached the point where individual and corporate property taxes are inconsistent with continued and future ability to pay. A new method of basic taxation must be adopted.

At the New Jersey Farm Bureau Convention in November of this past year, the following resolution was adopted, and I quote:

"New Jersey's need for real tax reform continues as a top priority. Since New Jersey farmers already pay the highest tax on farmland in the United States, and since the very basis of farming is the land upon which it is conducted, we oppose so-called tax reform that will add to property taxes.

"Farm Bureau will continue to support a tax reform package designed to (1) Reduce expenditures or bring them under better control; (2) Provide for a balanced system of taxation, fair to all segments of the economy; and (3) Based primarily on the ability to pay."

Farm Bureau policy requires that any new tax approach must include tax reforms, including relief from the oppressive property tax.



The revenue sharing concept proposed by Assemblyman Littell seems to be consistent with our policy in that it offers an approach that calls for the dedication of an income tax toward reducing property taxes. It also offers a redistribution system that takes into consideration the needs of municipal, county and State needs. Additionally, the problem of school financing seems to be met adequately.

Farm Bureau supports the revenue sharing concept of ACR 191 and the effort to have the voters make the final decision.

ASSEMBLYMAN PERSKIE: Thank you, sir. Does anybody have any questions? Mr. MacInnes.

ASSEMBLYMAN MAC INNES: Mr. Spence, I found that to be a very helpful statement. Would it be the view, either of you personally or of the Farm Bureau, that if we had tax revenues sufficient to bring about substantial and noticeable reduction in property taxes statewide, this might lead to more sensible land-use practices and take some of the pressure off the development of what is now farmland?

MR. SPENCE: Assemblyman Mac Innes, yes. I have to agree with you there. I think the problem is, as we tried to say in the statement, the emphasis is on the property tax. If you can somehow take that pressure off, I don't think, number one, you will find as many farmers selling to get out. Two, I don't think you will find the pressure on the farmer to have to sell, which, of course, would eliminate the speculator problem or at least would help to eliminate it. And I think that is the big problem we have now. There is a tremendous financial burden on the farmer to pay taxes. There is just not enough leeway there for him. If he makes one mistake or has one problem, he is out of business. It is as simple as

that. Yes, I believe that would help.

ASSEMBLYMAN PERSKIE: Anybody else? (No response.)

Thank you very much, Mr. Spence. We appreciate your statement.

Frank Haines from the New Jersey Taxpayers Association. Good morning, Mr. Haines, it is a pleasure to have you.

F R A N K     W.     H A I N E S: Good morning, Mr. Chairman. Thank you for the opportunity to be here.

Members of the Assembly Committee on Taxation, I am Frank Haines, Executive Director of the New Jersey Taxpayers Association, which is a non-profit, non-partisan governmental research organization incorporated in 1930.

This proposed constitutional amendment would prohibit levy of any personal income tax unless the net receipts from such tax were placed in a perpetual fund dedicated for annual appropriations to local governments to be used only for reduction of property taxes.

The New Jersey Taxpayers Association has a policy position in opposition to constitutional dedication of revenue dating from the 1947 Constitutional Convention. While several other pending constitutional amendments would dedicate revenues from any personal income tax for education, ACR No. 191 would require that receipts from such a tax be used for reduction of property taxes of counties, municipalities and school districts. The two approaches are not consistent.

The Association's principal argument in opposition to dedication is that the practice creates legislative inflexibility in allocation of funds. Most important powers of the legislative branch are generally considered to be to tax and to authorize spending, the two ingredients of a budget. In the exercise of those powers, it is important that the Legislature have unrestricted authority

to allocate the State's tax resources in the general public interest.

Enactment of ACR No. 191 would remove from legislative prerogative disposition of a major revenue source. In effect, the sponsors of this legislation seem to be saying, you can use the one untapped major broad-based revenue source -- but only for reduction of property taxes. Legislators would appear to be precluded from using a single dollar of personal income tax revenue to meet any State budget need, even if there were an emergency. It is questionable whether personal income tax revenue could be used to achieve property tax relief indirectly, such as by State assumption of functions and costs now borne locally by property taxes. Such proposals were elements of both Governor Cahill's and Governor Byrne's tax reform programs, namely, transfer of welfare and judicial financing from municipal and county governments to full-State financing responsibility.

It is essential that the Legislature be able to exercise the maximum degree of choice in spending what may become one of the principal revenue sources in the overall State-local tax system.

You have had some municipal officials who have testified before you this morning. And one of the common complaints that you hear from local elected officials is that a major portion of their annual budgets, and an ever increasing proportion, is mandated by statute or other previous actions, thus leaving them a smaller amount to discretion. It is important that actions which reduce discretion be identified in advance of adoption. If the Legislature is to retain the broadest degree of decision-making in fiscal policy, its members should avoid adoption of any restricting legislation. Otherwise, fiscal decisions will be unduly dictated by the dead hand of earlier

commitment, and the legislative flexibility needed to adjust to changing social and economic conditions will disappear.

Consideration of the present state of this State's economy and its impact on State-local finances in New Jersey provides evidence of the utter impracticability of the proposed amendment:

1. Consider the present budget deficit of \$487 million. If a personal income tax were enacted to finance all or part of that deficit, as suggested by the Governor, and this proposed amendment were passed by the Legislature and approved by the voters, it would nullify enactment of the personal income tax to finance the deficit.

2. In 1971, the Taxpayers Association adopted a tax policy which included favoring property tax relief financed by broad-based taxation. We thought it was utterly imperative because the property tax was one of the major problems in the State of New Jersey. We agree use of the income tax solely or partially for property tax reduction would be highly desirable. However, the Association views as most unlikely the success of such an effort through the Constitutional method being proposed in this period of inflation and recession which the State is experiencing. Note particularly that the Governor has proposed that several State aid programs be reduced or eliminated, totaling approximately \$50 million in the budget for the forthcoming fiscal year.

3. The language of the proposed amendment is too vague to facilitate evaluation of the method for carrying out the legislative intent, specifically the phrase "to be annually appropriated pursuant to formulas. . . established by the Legislature, to the several counties, municipalities and school districts. . . for the purpose of reducing property taxes."

With over 1,192 taxing districts in this State, most of which rely on property taxes as their principal source of revenue support, NJTA questions how this constitutional amendment could guarantee each a reduction in property taxes, applied uniformly and equitably. The point which must be recognized here is that the State has too many local governmental units with a wide variety of characteristics such as population, area, ratables, personal income, services, etc., for anyone to assume that every dollar of a new State personal income tax could be available to offset property taxes.

Association testimony at previous hearings on constitutional amendments included suggestion that, when possible, legislation needed to implement any constitutional amendment be introduced for consideration at the same time as the amendment. This proposed amendment is an example of a measure which requires that related statutory concepts and procedures needed for implementation be available to demonstrate the practicability and feasibility of the amendment and to assist in its understanding.

In relation to this same point about administrative concepts and the technique for assuring property tax reduction, two questions should be considered:

Would additional controls over local governments have to be imposed to insure reduction of property taxes?

Would such a measure require additional administrative personnel to insure such compliance?

It is the conclusion of the New Jersey Taxpayers Association that

(1) this amendment is misleading, and, if enacted, would falsely build up the tax relief hopes of many taxpayers who do not understand the inter-governmental intricacies of public finance and budgeting; and

(2) would seriously reduce the discretion of the Legislature to adequately deal with the State's fiscal problems.

For the various reasons mentioned, it is the opinion of the New Jersey Taxpayers Association that ACR No. 191, as amended, should not be favorably reported by the Committee on Taxation.

ASSEMBLYMAN PERSKIE: Thank you, Mr. Haines.

There are two areas of your statement that I would like to go into in a little bit of detail very briefly with you. Then I think probably a couple members of the Committee may have something.

In the first instance, on page 2, you note: "It is questionable whether income tax revenue could be used to achieve property tax relief indirectly such as by State assumption of functions and costs now borne locally by property taxes."

Do you say that that is questionable because it is not spelled out in this language or do you feel that the structure that would be created by this amendment wouldn't permit that?

MR. HAINES: The language of this proposed amendment leaves some doubt in our minds whether you could do that. In other words, I am questioning the language. It says it would have to be appropriated for reducing and paid back with formulas. You see what you are doing is transferring the takeover of a function and you would be leaving technically a gap. But that money isn't going back.

ASSEMBLYMAN PERSKIE: Why not? Suppose, for example, pursuant to a piece of legislation under this, the State determined to take over the cost of the Prosecutors' Offices, which would be, as the sponsor has indicated and as this Committee understands, consistent with the



purpose of the bill. That would mean then that the legislation would provide that the State would pay for the cost of the County Prosecutor's Office on a certain formula.

MR. HAINES: If you are going to maintain the function at that level and then aid it through this means, yes. But the earlier proposals, as I understood them, were that the whole responsibility be transferred to the State level. So the complete financing would be at that level. It is that specific technique that we question would be possible under this amendment.

ASSEMBLYMAN PERSKIE: Why do you question that, because that is what I think the sponsor envisions.

MR. HAINES: Because it provides for payment to reduce --- You see I don't see how you could make payment back through that technique. The way that you suggest, yes. If you wanted to say, "All right, we'll keep the function there, but we will increase the financing through the State budget," ---

ASSEMBLYMAN PERSKIE: To 100 percent.

MR. HAINES: All right, if you do that. But again there is some question in our minds whether this would allow it. I just raise the question.

ASSEMBLYMAN PERSKIE: Okay. Fair enough.

MR. HAINES: It is vague.

ASSEMBLYMAN PERSKIE: The second point I want to raise concerns page 3, paragraph 1, "Consider the present budget deficit of \$487 million. If a personal income tax were enacted to finance all or part of that deficit, and ACR No. 191 were passed by the Legislature and approved by voters, it would nullify enactment of the personal income tax. . ." That is inconsistent with my understanding of how this would operate. If this were passed, as I understand it, for example, the \$700 million that is

presently in the budget as State aid to education, to pick one program in particular, would qualify under this amendment. And if this fund were set up, that \$700 million could be transferred from the State budget to this fund. That goes as well for the existing \$1.2 billion - I think it is \$1.245 - that presently qualifies as State aid. Isn't that the way you would read it?

MR. HAINES: No, sir.

ASSEMBLYMAN PERSKIE: Why not?

MR. HAINES: I am reading it from a new point in time, not from the past.

ASSEMBLYMAN PERSKIE: Okay.

MR. HAINES: I can elaborate further, but I am reading it from here after.

ASSEMBLYMAN PERSKIE: That is a fair comment. However, I think you should be aware that it is not the sponsor's intention nor is it this Committee's feeling that that is the way the thing would be interpreted.

MR. HAINES: I suggest again that unless we get fuller interpretation of the intent here through some sample bill, then it is highly misleading because I think we are talking - at least the way I read this -- we are talking about it from a new point of time into the future. If you didn't have \$700 million of State aid and had to finance it from local property taxes, you would have much higher taxes.

ASSEMBLYMAN PERSKIE: Let's talk about that "in the future" just very briefly. Suppose on July 1st, the Legislature passes a package of bills which says the following: Number one, all State aid to education is terminated. Number two, out of the perpetual fund which is created pursuant to ACR 191, we hereby appropriate \$700 million for aid to education. It works, doesn't it?

MR. HAINES: It works, except you see again, as I

understand the concept, you are talking about additional revenues.

ASSEMBLYMAN PERSKIE: All right.

MR. HAINES: That is the key. The whole impact to people is that in doing this you are not going to replace something in the past; you are talking about some new recasting of your financial structure.

ASSEMBLYMAN PERSKIE: I understand. That is a basic interpretive problem. That is why I specifically had the sponsor go on record early in these proceedings ---

MR. HAINES: I missed his testimony. I'm sorry; I was late.

ASSEMBLYMAN PERSKIE: He specifically delineated his intent with respect to the bill, which is consistent with the Committee's understanding, that any of the existing State aid dollars - and it is about \$1.245 billion, as I recall the figure -- any of those existing dollars that are presently being used in the various programs of State aid would be within the purview of this kind of a fund.

MR. HAINES: I would challenge anyone to show me how, in effect, you are reducing anyone's property taxes when that money is already being put into municipalities.

ASSEMBLYMAN PERSKIE: I think that point goes to the point you just made that we are dealing in that aspect of it with any additional moneys that may be appropriated.

MR. HAINES: There is no definition of what tax reduction is, as measured from what point, and I can't conceive how that could be described and accepted as being tax reduction.

ASSEMBLYMAN PERSKIE: That is a good point that I understand.

Mr. Froude, did you have a question?

ASSEMBLYMAN FROUDE: I have heard Frank a number

of times and I can't quite get a handle on why we can't agree that if we shift the revenue from a property tax base to an income tax base, we cannot at the same time claim to be reducing property taxes.

MR. HAINES: You can under certain circumstances, sir.

ASSEMBLYMAN FROUDE: Under all circumstances, as I limited that statement. If you take the property tax base and replace it with an income tax base for any specific purpose, why does the Taxpayers Association have so much trouble saying that we have, in fact, reduced property taxes?

MR. HAINES: You have to demonstrate to us when it gets back locally as to what your measure of reduction is.

ASSEMBLYMAN FROUDE: I just gave you ---

MR. HAINES: We are on record on this. You can't replace the same dollar two ways. If you can demonstrate that by increasing aid you are not going to raise the same dollars from the property tax locally, there is no problem. But there has been no demonstration that it is possible yet.

ASSEMBLYMAN FROUDE: Will you repeat that last statement again.

MR. HAINES: Let's suppose that you can put in a program today in relation to budgets and you can demonstrate that the amount of money required from the property tax to meet those budgets could be reduced. If we go back to the initiation of the sales tax --

ASSEMBLYMAN FROUDE: No, no.

MR. HAINES: I am talking about defining property tax reduction, sir. The sales tax when initially introduced, after levies had been struck - they held off the striking of the levies - and the first increases were applied to reduce already determined levies. That was a reduction. So, first, you are going to have to define for people what you mean by reduction - from what point. Are you reducing

actually below the level? Are you levelling off the growth, etc.? This is a technique which I have not seen adequately spelled out in terms of its potentiality to accept it. We are in favor of an income tax that can provide in some way some relief where we are changing the proportion of the overall tax system so a lesser proportion of that system will be raised from property taxes.

ASSEMBLYMAN MAC INNES: Mr. Chairman, I think Mr. Haines has disclosed the language of ACR 191 may not, in fact, spell out specifically and correctly the intent of the sponsor of ACR 191. I think it is, as indicated by Mr. Haines, a fatal weakness in the drafting at this point; and, that is, if you have a fund which is to be used only for the reduction of property taxes and the State is now, for purposes of example, paying for 25 percent of all school costs with 75 percent being borne by the property tax today and next year, under ACR 191, you try and take that 25 percent and put it into the property tax reduction fund, you are not reducing property taxes. All you are doing is maintaining the status quo. The only thing that the income tax revenue could be used for is to move from 25 percent to some higher percentage of State participation.

ASSEMBLYMAN PERSKIE: What you are suggesting then with respect to the language is that perhaps, for example, in line 11 where it says "for the purpose of reducing property taxes," that what the sponsor really should say would be "for the purpose of reducing present or future property taxes"?

ASSEMBLYMAN MAC INNES: No, that still won't do it.

MR. HAINES: That is worse.

ASSEMBLYMAN MAC INNES: I think that the idea here is that there will be a clear relationship between the enactment of an income tax and property tax reductions; there will be a direct dollar-for-dollar relationship, which

is an idea that all of us can support. It is now worded, by establishing a perpetual fund which may be used only to reduce property taxes; I think a more correct reading than the one given by the sponsor, to be frank, is that existing programs where the State shares in the cost of services and the rest of the cost of the services is borne by the property tax, as with schools -- let's say we have a 25 - 75 split right now -- to take that 25 percent which represents, let's say, \$700 million in the present budget of the State and to put that under this fund and to say that the income tax revenues we are going to collect are going to be used to maintain that 25 percent, you still haven't reduced anyone's property tax; and with inflation, you will probably see an increase.

So I don't think that the answer given at the start of this testimony by the sponsor that existing programs of State aid which have the effect of having the State share in the cost of local services and thereby avoiding further property tax increases can be included in this fund. I think that is incorrect. I don't think it can be.

I think anything included in this fund has to take us where we are today and move us higher in terms of State participation and lower in terms of that proportion borne by the property tax.

ASSEMBLYMAN PERSKIE: There is a policy question. I guess that is a possible interpretation. I don't happen personally to share it.

ASSEMBLYMAN LITTELL: I would rather you come up with some language that would satisfy people to that extent. I am not sure off the top of my head what that language is.

ASSEMBLYMAN PERSKIE: I think what we ought to do is work on that before we make a final recommendation. Maybe there is some language that would make your intention

clearer. Your intention is what I know the Committee intends. Maybe some stronger language would eliminate any question on that.

ASSEMBLYMAN SWEENEY: Mr. Haines, doesn't it really depend on a package of bills that would be used to support the particular ACR? Wouldn't your answer naturally be qualified by the package that would be used to implement this intent?

MR. HAINES: I am addressing myself only to this measure in relation to the present fiscal situation of the State. There is no other implication from this measure in terms of it. What I suggest is -- The Governor has proposed a personal income tax to finance the major part of a budget deficit. That budget deficit isn't all State aid. It isn't created by all State aid. This would imply, at least the way we read it, if it were passed, that you can only use this to go back to local units to offset their purposes. You will then have to find another source of revenue to finance a deficit or any other sole State functions either in the capital or general operating area.

ASSEMBLYMAN PERSKIE: That is the issue, whether or not the \$1.2 billion that is now being spent in State aid would be eligible for this fund. The sponsor contends that it is. If it is not, you are clearly right.

MR. HAINES: Then someone has to define first - and this is what, of course, we have said for many years -- you have to define for people what you mean first by tax relief and tax reduction - this is one of the big problems - just as we have to define some general concept of tax reform.

ASSEMBLYMAN SWEENEY: Mr. Haines, I would like you to take a look at a couple of bills for us and give us the benefit of your thinking on them - obviously not today -



but as soon as practicable. If you would just note these three numbers, I would appreciate, and I am sure the Committee would also, what your Association's impression would be.

ASSEMBLYMAN PERSKIE: What are the numbers?

ASSEMBLYMAN SWEENEY: 2134, 2173 and 2196.

MR. HAINES: Are they all Assembly bills?

ASSEMBLYMAN SWEENEY: They are all Assembly bills.

ASSEMBLYMAN PERSKIE: Let me impose a little bit further on you and your Association. Notwithstanding your basic policy problem with this entire concept, the Committee would request of you that you give some consideration to the exact point that we have just been talking about in terms of the language of ACR 191 and tell us what kind of language change you or your Association feel would be necessary to clearly reflect the sponsor's intent, that is, existing State aid programs would be eligible for inclusion in this kind of a fund. I understand your problem with the bill anyway, but we would appreciate your thinking on that.

ASSEMBLY FROUDE: I have come to understand Mr. Haines' concern about some technical aspects of ACR 191. What I am interested in is knowing this: Are you saying that the New Jersey Taxpayers Association is determined to be in opposition to the dedication of a tax for the support of one aspect of the budget, namely, education? Because if you are saying that, I am having trouble ---

MR. HAINES: This doesn't say anything about education, sir. This says local property tax relief.

ASSEMBLYMAN FROUDE: Well, we all know what we are talking about, don't we?

MR. HAINES: I am afraid I have to say no because you are talking about counties, municipalities and school

districts. And where in the municipal budget is there any State aid for education?

ASSEMBLYMAN FROUDE: I view that - and I will talk to the sponsor later - as one of the technical aspects that you are very correctly pointing out to us. But I think the concept is one of dedicating an income tax for the support of education and I am saying to you that the mail that I am getting from taxpayer groups seems to favor that procedure as a way of securing this kind of reduction. Again I don't want to open up the debate as to what we mean by reduction. I can look that up in the encyclopedia or the dictionary. I think you can too and I think you know what we are talking about.

Are you saying that the Taxpayers Association is opposed to the dedication?

MR. HAINES: Yes, sir.

ASSEMBLYMAN FROUDE: All right.

ASSEMBLYMAN CONTILLO: I was questioning Mr. Littell about that because my problem with this was along the same line. I didn't get an answer; I thought it was because I came in late. But apparently this gentleman doesn't have an answer to his problem either.

ASSEMBLYMAN PERSKIE: He has an answer; it is just a different answer.

ASSEMBLYMAN CONTILLO: I happen to agree partially with what he is talking about. Are we talking about property tax relief or is this just going to generate additional aid to municipalities? Let's break it down and look at it. Take a single dollar that is raised, say, by tobacco and is used for road aid. Take another dollar raised from personal income, if this is passed. They will use the personal income tax as State aid to municipalities. But the dollar that was raised last year by tobacco will be used for something less useful, like our salaries.

In other words, all you have done is play a game of mirrors with it. I don't see how you can prevent that with ACR 191. Make it a billion dollars if you want - a billion dollars that the State now uses for municipal aid and county aid, which go back to the local people. That could be taken. The State could use it for whatever it chose. It could then take money from the personal income tax to replace that money. We certainly are not going to be ahead of the game if we are trying for total tax reduction.

ASSEMBLYMAN PERSKIE: The answer to that is if the Legislature would be of a mind to do that, which is hard to imagine; but if they would, this bill wouldn't prevent that. That is true. This bill would merely mandate that that portion raised from the income tax would be used to fund the aid programs. Presumably it is the sponsor's intention and theory that the only items that would be remaining outside of State aid programs, that is, the cost of State government, would be borne by other revenue sources which right now are more than large enough to do that, at least according to the budget.

In any event, the point is well taken I think and I would encourage the Association to help us in this even though I understand the basic philosophical problem. But we can use your expertise and you have never disappointed us before.

I would ask the sponsor as well to give some thought to that, as will the Committee, and possibly we can come up with some language which will clarify the thing and resolve, at least, the intent of this and leave only the basic policy question remaining.

Thank you very much.

We have one more witness who will be very brief because this Committee has some work to do, and that is

Assemblyman Hamilton.

W I L L I A M     J.     H A M I L T O N:     Thank you, Mr. Chairman and members of the Committee. I would have been brief even without that caveat, Mr. Perskie.

ASSEMBLYMAN PERSKIE: I am sure of it.

ASSEMBLYMAN HAMILTON: To those of us who have labored for some time for an income tax, it became apparent, I think, that the public was concerned that an income tax would be just another tax. But I think that was not the intent and not the belief of those who supported the tax last summer. So while I was not an early and enthusiastic supporter of the proposal of Assemblyman Littell that is before you for consideration today, nevertheless it seems to me that this is the kind of a measure which may be needed, and certainly would be helpful, in insuring the restoration of some kind of credibility for legislators and a Legislature that passes an income tax, that it would not be just another tax.

I think other measures, such as a referendum after the fact, and some of the other things to which we have already addressed ourselves or talked about would be in that same category. Because it seems to me that if you adopt an income tax, whether you use the yield from that income tax solely for education or eventually for other overburdened purposes, such as welfare, the cost of courts, or other things that contribute mightily to the load of municipal taxes in many of our cities, this would be a measure of protection and guarantee to our citizenry and a key to beginning to restore public confidence in a Legislature that comes forward and says, "We need a new source of revenue; we are going to give you relief in other areas of the tax-raising structure."

I would raise but one caveat when you consider this

measure, and it is one that I am not able to demonstrate statistically. I am sure if this measure were to be adopted as is, that over the next several years there would be no problem in meeting other legitimate State needs. But I am somewhat fearful over the long haul, in 6, 7, 8, 10, 12 or 15 years, what will happen. Of course, we can't legislate forever. But when we are talking about the adoption of a constitutional amendment, I think we ought to take a long-term look at what the ramifications of our actions may be. That is a long way of saying I am not sure that, if we move in the direction of dedication, it ought to be 100 percent dedication. I don't have any magic number, but it would seem to me that something on the order of 75 to 80 percent dedication would be a safer protection for insuring that we have revenues for other purposes over the long haul.

I am fearful that this Legislature could be confronted, either because of a legitimate need or perhaps in response to a court decision, even within the immediate future, with raising substantial new moneys for institutions, whether that would be mental institutions at the State level or community based, whether it would be correctional institutions at the State level or community based, or for mass transportation or any myriad of areas that are not foreseeable problems or might be problems in the future; and we might be creating a fiscal straitjacket if we were to dedicate 100 percent of an income tax that might be collected.

So I would urge that consideration upon you. I think Assemblyman Littell has shown imagination and foresight. I think he is responding to a very real problem of giving assurances to the people that an income tax, if adopted, is not just another revenue measure.

I would urge you to take into account in considering this particular measure whether the dedication, if it is

to be reported out, should be reported out at 100 percent or some lesser figure, substantially in excess of one-half and something perhaps on the order of three-quarters or 80 percent.

ASSEMBLYMAN PERSKIE: Thank you, Mr. Hamilton. Mr. Littell, we will take that up with you directly a little later. Thank you very much.

There being nothing further, this hearing is concluded.

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(Hearing Concluded)







## ANDOVER TOWNSHIP

134 NEWTON - SPARTA ROAD NEWTON NEW JERSEY 07860

OFFICE OF THE ADMINISTRATOR  
THOMAS V. FINAN  
TOWNSHIP ADMINISTRATOR

December 3, 1974

Hon. Robert E. Littell  
Assemblyman, District 15  
Box 266, 47 Church Street  
Franklin, New Jersey 07416

Dear Assemblyman Littell:

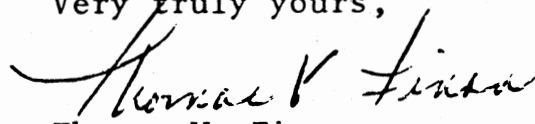
Please be advised that at its regular meeting of November 26, 1974, the Township Committee of the Township of Andover publicly went on record as supporting your proposed Constitutional Amendment, ACR-191.

The Committee shares your opinion that the people of New Jersey deserve a more equitable and less onerous form of taxation than the local property tax. It is also their belief that government spending, particularly at the State level, must be more responsive to the need and desires of the citizens of the State.

The Committee feels that your "ironclad guarantee", via Constitutional amendment, that an income tax or statewide property tax will be dedicated to the reduction of the local property tax, is the best plan yet offered for the alleviation of New Jersey's tax problems. Your plan would satisfy the Supreme Court's mandate on school aid as well as provide an elastic source of revenue for responsible spending at the State, County and Municipal levels.

We wholeheartedly support your efforts on behalf of tax reform and stand ready to aid this effort in any way we can.

Very truly yours,

  
Thomas V. Finan  
Township Administrator

TVF:mb

cc: Hon. Brendan T. Byrne, Governor  
Hon. Wayne Dumont, Jr., Senator  
Hon. Robert C. Shelton, Jr, Assemblyman

*Township of Mansfield*  
*Warren County*

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BOX 105, PORT MURRAY, NEW JERSEY 07865

November 26, 1974

Mr. Robert E. Littell  
Assemblyman, District 15  
Box 277, 47 Church Street  
Franklin, N.J. 07416

Dear Bob,

In response to our recent conversation, concerning Constitutional Amendment, ACR-191, it is my opinion that the only way and new tax plan, whether it be an income tax or a state property tax, will be acceptable to the people of the State of New Jersey is for it to be dedicated exclusively for the reduction of local property taxes. I am convinced the citizens want an "ironclad guarantee" that the money will not be used for any other purpose.

It is my personal opinion that in addition to supplying additional money for school aid as the Supreme Court has ordered us to do, it is important that we provide some additional funds for municipal governing bodies and for the county government. Every municipality, school district and county is faced with rising costs for the goods they purchase as well as increased labor costs and therefore will need additional revenue.

I, as Mayor of Mansfield Township, request your support of the "Constitutional Amendment ACR-191."

Sincerely,

*Harold K. Stecker*

Harold K. Stecker  
Mayor

# TOWNSHIP OF LAFAYETTE

Bessie S. Hunt, Clerk  
LAFAYETTE, NEW JERSEY 07848

Telephone: 383-5492

November 25, 1974

Assemblyman Robert G. Littell  
Box 277  
47 Church Street  
Franklin, N. J. 07416

Dear Bob:


Although I do not understand fully your tax proposal, I wholeheartedly agree with your concept. It is time for State Legislators to quit the nonsensical piecemeal approach (i.e. casino gambling) they have assumed in solving the State's financial plight.

An income tax dedicated by Constitutional amendment to be used solely for school costs is an excellent approach. I would even carry this approach still further by saying even the cost to administer the income tax should come out of the State's general funds rather than from the income tax. If the State collects \$300 million from income tax, I want to see \$300 million returned to the State's school districts. Let's not have a question applied to an income tax that is presently applied to the State's lottery, "Where does the money go?"

One point I'm not completely clear on is does a school district receive assistance on a capital expenditure program? As you know, the school population of many urban and suburban schools is decreasing while the rural school population is increasing. I feel strongly the school districts absorbing the increased population should receive some State assistance.

Please feel free to contact me for any assistance on this matter.

Sincerely,

  
Carl R. Luthman  
Mayor

CRL:mg

CC: Assemblyman Robert C. Shelton, Jr.  
Senator Wayne C. Dumont

STATEMENT ON ACR-191

DELIVERED BY ROBERT E. LITTELL

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I AM HERE TO SPEAK ON ACR-191 AS ITS PRIMARY SPONSOR.

I WOULD LIKE TO GIVE YOU A LITTLE BACKGROUND AS TO MY REASONS FOR SPONSORING THIS RESOLUTION, MOST OF WHICH I FEEL YOU HAVE EXPERIENCED PERSONALLY. DURING THE DEBATE LAST YEAR ON THE GOVERNOR'S PROPOSED TAX REFORM PROGRAM, I RECEIVED MAIL AND PHONE CALLS, SOME OF WHICH WERE RATHER BITTER TO SAY THE LEAST, ABSOLUTELY OPPOSING THE IMPOSITION OF AN INCOME TAX. THOSE WHO STATED THEIR OPPOSITION IN REASONABLE TERMS SEEMED TO HAVE A COMMON GROUND FOR THAT OPPOSITION AND THAT WAS THAT DESPITE ASSURANCES TO THE CONTRARY, THEY FELT IT TO BE MERELY A TEMPORARY MATTER INSOFAR AS PROPERTY TAX RELIEF WAS CONCERNED. IN MOST INSTANCES, THEY CITED THE EXPERIENCE WITH THE IMPOSITION OF THE SALES TAX IN 1966.

AFTER CONSIDERABLE STUDY AND OBJECTIVE CONSIDERATION OF THE FISCAL SITUATION, I WAS CONVINCED THAT SOONER OR LATER AN INCOME TAX WOULD BE NECESSARY IF WE ARE TO PROVIDE ANY SUBSTANTIAL RELIEF IN THE

PROPERTY TAX. HAVING REACHED THIS CONCLUSION, I SET ABOUT TO DETERMINE WHAT THE REACTION WOULD BE AMONG PEOPLE IN MY AREA TO AN INCOME TAX DEDICATED CONSTITUTIONALLY TO PROPERTY TAX RELIEF. I SPOKE BEFORE EVERY TYPE OF GROUP; I TOOK ADS IN THE LOCAL NEWSPAPERS; AND I DISCUSSED IT WITH INDIVIDUALS ON A FACE-TO-FACE BASIS. IT WAS SURPRISING TO ME THAT THE ATTITUDE WITHIN A FEW MONTHS OF SUCH UNBRIDLED OPPOSITION TO AN INCOME TAX BY THE MERE ASSURANCE OF DEDICATING THAT TAX TO PROPERTY TAX RELIEF WAS AN ABOUT-FACE. I RECEIVED ALMOST NO UNFAVORABLE COMMENT. FOR THAT REASON AND FOR THE REASON THAT I FELT THE FISCAL SITUATION DEMANDS IT, I SPONSORED ACR-191 AND AS YOU WILL NOTICE, GAINED A CONSIDERABLE NUMBER OF CO-SPONSORS FROM BOTH SIDES OF THE AISLE.

I KNOW THERE IS GENERAL OPPOSITION IN SOME QUARTERS TO THE DEDICATION OF ANY TAX AND PARTICULARLY ONE FROM WHICH A CONSIDERABLE AMOUNT OF REVENUE WILL BE DERIVED. HOWEVER, THERE IS MORE TO THIS PROPOSAL THAN MAY MEET THE EYE. IN FUTURE YEARS, AS REVENUES INCREASE, I ENVISION THE SHIFTING OF EXISTING AID PROGRAMS NOW PAID FROM THE GENERAL FUND OF THE TREASURY TO THE PROGRAM WHICH WOULD BE ESTABLISHED

PURSUANT TO ACR-191, THUS, EVENTUALLY RELEASING THE GENERAL FUND FROM STATE AID PROGRAMS ENTIRELY.

IT IS MY VIEW AND THAT OF MANY OTHERS IN BOTH POLITICAL PARTIES THAT WE ARE RAISING SUFFICIENT REVENUE IN THE STATE TO PROVIDE MORE THAN ADEQUATE PUBLIC SERVICES, BUT THAT THE MEANS OF RAISING THAT REVENUE PARTICULARLY THROUGH PROPERTY TAXES PLACES AN UNDUE BURDEN UPON THOSE LEAST ABLE TO PAY AND BECAUSE THE ELASTICITY OF STATE TAXES IS INSUFFICIENT, WE FIND OURSELVES IN ONE FISCAL CRISIS AFTER ANOTHER, AND AT THE SAME TIME, PROPERTY TAXES INCREASE EITHER THROUGH RATE INCREASES, INFLATION, OR BOTH.

I HAVE NOT PROPOSED ANY PARTICULAR INCOME TAX FOR I FEEL THAT A NUMBER HAVE BEEN PROPOSED ALREADY WHICH WOULD BE SATISFACTORY TO RAISE THE FUNDS NECESSARY TO ACCOMPLISH PROPERTY TAX REFORM, AND I COULD SEE NO REASON TO CLUTTER UP THE CALENDAR WITH ANOTHER ONE MERELY FOR PRIDE OF AUTHORSHIP.

IN CLOSING, I SHOULD LIKE TO POINT OUT THAT MR. SWEENEY AND I HAVE DEVELOPED THE PROGRAM FOR THE UTILIZATION OF DEDICATED INCOME TAX REVENUES TO AFFECT PROPERTY TAX RELIEF IN EVERY MUNICIPALITY IN THE STATE.

What ACR-191 Will Really Do

The main thrust of ACR-191 is to give assurance to the public that the taxes they pay in a personal income tax will replace property taxes, not provide for a new round of taxes and spending.

Although the public hearing is only on ACR-191, it is only a part of a total program of guaranteed permanent property tax relief. Despite dedication of a major tax, it is not restrictive, for it is not limited to only one aspect of local government, but is designed to alleviate all aspects of local government and, at the same time, provide relief to the State budget.

At present the major part of the State budget goes for State aid in one form or another, and it is evident that more State aid will be sought to prevent the financial collapse of many of our municipalities.

ACR-191 envisions a program of immediate property tax relief on an on-going basis. In the coming years existing aid programs will be absorbed into the program provided for by ACR-191, thereby releasing funds now budgeted from general State revenues to be used for State programs.

The elasticity of revenues from a personal income tax will provide the wherewithal to increase State aid funds as needed and, at the same time free up other State monies to meet the State's budgetary needs.

If a personal income tax would be imposed as of July 1, under this program, a sufficient amount of revenue would be generated to meet the State's existing budgetary problems and to fund the first half-year of school aid prior to the effective date of the dedication.

While ACR-191 is a part of a total program, it will stand by itself and can be adapted to any program.



HEARING BEFORE THE COMMITTEE ON TAXATION

PRESENTED BY RICHARD DEANEY

FEBRUARY 13, 1975

GENTLEMEN:

I AM HERE TO INDICATE THE SUPPORT OF THE NEWTON TOWN COUNCIL FOR ACR-191 A PROPOSAL TO AMEND THE CONSTITUTION TO MAKE IT POSSIBLE TO DEDICATE REVENUES FROM A PERSONAL INCOME TAX TO THE REDUCTION OF PROPERTY TAXES AT THE LOCAL LEVEL.

AS BURDENED AS THE STATE GOVERNMENT MIGHT BE, WE FEEL THAT THE TRUE FISCAL TAX REFORM MUST BEGIN AT THE LOCAL LEVEL BY ALLOCATING REVENUES FAIRLY ACCORDING TO NEED AND BY SUPPORTING THE COSTS OF GOVERNMENT THROUGH A MEANS THAT BETTER REFLECTS ABILITY TO PAY AND THAT IS AN INCOME TAX, BUT ONLY AN INCOME TAX WHICH WILL OFFSET THE HIGH PROPERTY TAXES.

WE BELIEVE THAT THE REDUCTION OF THE SIGNIFICANCE OF THE PROPERTY TAX AT THE LOCAL LEVEL WILL HAVE GREAT SIDE BENEFITS IN THAT MUNICIPAL GOVERNMENTS WILL NO LONGER MAKE PLANNING AND ZONING DECISIONS BASED HEAVILY ON THE ABILITY TO ATTRACT RATABLES BUT RATHER ON THE ABILITY OF THE PROPERTY AND OF THE COMMUNITY TO SUPPORT THE USE PROPOSED INCLUDING THOSE USES NOW TAX EXEMPT.

THANK YOU FOR THE OPPORTUNITY TO EXPRESS OUR SUPPORT FOR THE PROPOSED ACR-191.

February 13, 1975

Good Morning Gentlemen. My name is Arthur Sears. I am the Tax Assessor for the Township of Fredon in Sussex County. Other municipal offices that I have had the privilege to occupy were; Mayor, member of the Township Committee for four years and a member of the local Board of Education for four years.

I appear before you today, because I sincerely believe that New Jersey sorely needs the enactment of "Assembly Concurrent Resolution No#191" - that is - If our State Legislature does approve a NEW Personal Income Tax, It should be done for the purpose of relieving the increasingly heavy Property Tax Burden now imposed on New Jersey property owners.

I would like to site as an example of the need for relief of the growing encumbrance of the property tax, the change in Fredon Township's Tax Rate from 1970 to 1974.

Our 1970 Tax rate was \$ 3.32 per \$100. of Assessed Value. The local School's share was \$2.35 or 70.8% of the total tax.

In 1974, our Tax Rate was \$5.59 per \$100. assessed value. A gain of \$2.27. The school's share was \$4.22 or 75.5% of the total. It appears that the 1975 Tax requirements for schools will be up approximately 20% over 1974 with the new regional high school. Where does it end???

Fredon residents are not alone in facing such creeping paralysis. I feel sure there are many more New Jersey communities that have experienced such financial changes.

The Property Tax has become a Regressive Tax because of the reliance upon it to supply the ever increasing demands for more revenue by the components that comprise it - namely our schools.

February 13, 1975

High Property Tax Rates are driving away potential new tax ratables to say nothing about the problems encountered by those property owners already in the township but on limited incomes. In the four years from 1970 to 1975, Fredon property owners have experienced a 68% increase in their taxes. If the projected 1975 Tax Rate of \$6.10 holds, it will amount to almost an 85% increase over the 1970 Tax Rate. On a \$30,000. assessment, the 1970 taxes would have been \$996.00 while on the same house, the 1975 taxes would be \$1,830.00.

This rise must stop somehow!!!

One way is by letting the people of New Jersey vote their approval or rejection of ACR No#191 - the Constitutional Admendment dedicating the revenue raised by a personal income tax to the reduction of the property tax. By increasing the amount of state aid to the schools with this new revenue, the Legislature would be reducing the property tax as well as meeting the courts demands for a more equitable distribution of money to the schools.

No New Tax of ANY form will be palatable unless New Jerseyians can be assured that the revenue is locked in to reducing the property tax.

Gentlemen, I believe you have the opportunity to do just that with this resolution.

Thank you!!!!

AUG 13 1985

