

PUBLIC HEARING

before

SENATE JUDICIARY COMMITTEE

on

SENATE CONCURRENT RESOLUTION No. 2016
(Senior Citizen Property Tax Deductions)

Held:
April 7, 1971
Assembly Chamber
State House
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Senator Harry L. Sears (Chairman)

Senator Richard R. Stout

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SENATOR HARRY L. SEARS (Chairman): This is a hearing on Senate Concurrent Resolution No. 2016, the senior citizen real property tax amendment which was introduced by Senator Italiano who is here in the Chamber today and who will be the first to testify on this bill.

All right, Senator Italiano, would you take the stand.

F R A N K C. I T A L I A N O: Senator Sears, Senator Stout. You've heard some testimony for legislation on behalf of the young people and I guess it's only appropriate now that we discuss something for the benefit of a group of citizens of our State who, in my judgment, have done more to support the government of our State; its functions and its institutions, and presently participate in fewer of the benefits than most of us do.

Perhaps it would be expedient to review a little of the history behind this legislation, which I am sure you are familiar with but for the record.

If you will recall, back last November there was a public question to increase the tax exemption. It was successful. And at the beginning of this session the Legislature, in its wisdom, sought to expand the exemptions and qualify additional senior citizens. We passed legislation which would enable additional senior citizens to qualify and participate in the exemptions. However, our action was deemed to be in controversy with the Constitution because it went beyond the limits of public referendum, as a result of which the implementing legislation was restricted to senior citizens who were on social security alone. But at that time I thought that the Legislature was unanimous in its opinion that the definition under our present law was rather restrictive and, in a sense, did discriminate against other senior citizens. And in our judgment we thought it was unfair and we had at that time attempted to give

this benefit to these additional senior citizens.

So that's the purpose of this resolution, to qualify additional senior citizens for the real estate tax relief which some of our senior citizens presently benefit from.

In my judgment, a senior citizen is a senior citizen, regardless of the pension plan that he participates in. And we have taken a position in this State of defining senior citizens to the extent that we have excluded a large group of people, who are sincerely and in actuality senior citizens, from the tax relief which we have determined should be awarded to some of our senior citizens.

I only hope that we can move this legislation as rapidly as possible. I realize that there are other resolutions but as I read them and as I read this resolution, I think this is more comprehensive and is more definitely written regarding participation.

A fiscal note which was submitted to me in conjunction with this resolution estimates that approximately 63,000 additional deductions will result if this is enacted, and the cost would be somewhere around \$10 million for fiscal years 1972-73 and 1973-74.

Now, gentlemen, frankly I feel that legislation of this nature is only temporary. I am sure that Senator Sears, who is actively participating with the Tax Policy Commission, can realize that there is a lot of work to be done in this area, not so much for our senior citizens who need immediate assistance - and that's the hope of this legislation - but the entire tax structure, I think, needs revision. And in only this way can we have any real meaningful tax relief. But I think we must do something now to take some affirmative step to provide the assistance needed by a group in our society that is feeling an economic burden that I am sure all of us realize is beyond their control.

I have no prepared statement but I'm hoping that we move this as rapidly as possible, that we can get both houses of the Legislature to enact it so that it can become a public question this November.

SENATOR SEARS: Thank you very much, Senator.

Just one question to perhaps clarify the record and for the benefit of those here.

As I understand the bill as it is now drawn, a person who is on both social security and, for example, a railroad retirement pension would not be able to deduct both of those for the purpose of establishing eligibility. Is that correct?

SENATOR ITALIANO: That's correct, by putting a paragraph in here, the last paragraph after section C.

SENATOR SEARS: It is my understanding that there are quite a few citizens who are on both.

SENATOR ITALIANO: That's right.

SENATOR SEARS: Senator Stout, any questions?

SENATOR STOUT: I was going to ask about the fiscal note. That's not actual cash that it's going to take to - it's something they wouldn't get. Is that correct?

SENATOR SEARS: No. I think what the Senator means is, that's the amount of money that the State will have to reimburse the municipalities.

SENATOR ITALIANO: \$5 million. It's \$10 million total; \$5 million from the State and \$5 million that the municipalities will have to bear.

SENATOR STOUT: Oh, I see.

SENATOR ITALIANO: Because under the last referendum, we not only expanded the tax exemption but, as I recollect, we also mandated that the State would pick up half the cost of the additional exemption.

SENATOR SEARS: Okay.

SENATOR ITALIANO: Thank you very much, gentlemen.

SENATOR SEARS: Thank you, Senator.

SENATOR STOUT: I want to thank the Senator for his clear and lucid explanation this afternoon.

SENATOR SEARS: All right, sir, if you will state your name and whom you represent.

P E T E R J. H E I N Z, JR.: My name is Peter J. Heinz, Jr., Assistant State Director of the United Transportation Union.

Senator Sears and Senator Stout, it's nice meeting you, and I think Senator Italiano has covered a good portion of this bill and I guess he has stressed the need for this type of resolution.

I am an employee also of the Lehigh Valley Railroad and, beside being a representative of the United Transportation Union, I really do think that our employees, especially those who are near pension or on pension, are subject to an inequity under the present law where they are not permitted to have this deduction applicable to persons under social security. And we respectfully request the support for this resolution which is designed to correct the inequity and injustice to more than the 25,000 senior citizens who are now receiving railroad retirement benefits and the thousands of railroad workers residing in New Jersey.

We also are in receipt of some communications from these retirees. They are home owners, they are age 65, and they are older, and they see persons under social security that are entitled to this \$160 deduction on their property tax bill if they occupy the home if they have been residents of the State for three years and have an annual income of \$5,000 or less. Social security benefits are exempted and they are not counted when determining income. Railroad retirement is counted.

Now, Governor William Cahill vetoed a measure that would have exempted railroad retirement benefits because it wasn't approved by a referendum as was the previous bill covering the social security recipients. And we

hope that this proposal, which will eliminate and correct some of these inequities, will be given support by you gentlemen.

We appreciate the Senator's thoughts on this and we hope that you have our beneficiaries in mind.

Thank you.

SENATOR SEARS: Thank you, Mr. Heinz.

Any questions, gentlemen?

SENATOR STOUT: You're from the United Transportation Union.

MR. HEINZ: That's correct, Senator.

SENATOR STOUT: And you're here today representing their membership.

MR. HEINZ: Yes, sir, Senator.

SENATOR STOUT: Thank you.

SENATOR SEARS: All right, sir, thank you very much.

Would you state your name for the record.

I R V I N M c F A R L A N D: My name is Irvin McFarland. I'm the State Legislative Director of the United Transportation Union.

Senator Sears, Senator Stout, Senator Italiano, I come here on behalf of our membership, which totals some 5,000 active members, some 25,000 retirees. We feel that our retirees have been discriminated against, and rightfully so, under A-1317 which was passed into law on February 3. However, I think these inequities can be rectified by the passage of SCR 2016.

As my assistant just stated, Mr. Heinz, we desire that this legislation be released from Committee and hopefully that it will be passed through the Senate and the Assembly for an early vote this November.

Thank you very much.

SENATOR STOUT: Thank you, Mr. McFarland.

Any questions?

SEN SENATOR STOUT: Yes. You have 25,000 retired members and 5,000 active members, is that correct?

MR. McFARLAND: Yes, sir.

SENATOR STOUT: That's quite a group.

MR. McFARLAND: The reason this happened, Senator, we have a lot of people that move into the State and we have some move out, and people who lose their positions, say in the State of Pennsylvania, and we in New Jersey give them employment on our railroads, they then become residents of New Jersey and retire in New Jersey. And our railroad industry has been going down over the years, as we all know. We aren't on an upward trend, it's always on the downgrade. At one time we had fourteen or fifteen thousand people in the organization I represent, active; now we have but 5,000.

SENATOR STOUT: Very interesting. Thank you.

SENATOR SEARS: Thank you very much, Mr. McFarland.

Would you state your name for the record.

E D W A R D L. D O N O H U E: Mr. Chairman, Senator Sears; Senator Stout; Senator Italiano. I am Edward L. Donohue, Director of the State Division on Aging of the Department of Community Affairs, and in that capacity I appreciate this opportunity to make a brief statement in support of Senate Concurrent Resolution No. 2016.

I think it is a fair assumption that there is general agreement that the present Senior Citizens Property Tax Deduction Law unfairly discriminates against those who receive retirement benefits other than social security benefits, and I think it should also be clearly understood that this discrimination arises from an unfortunate oversight in constructing the Constitutional Amendment which was approved on last November's ballot.

I wholeheartedly agree with the sponsors of this legislation - Senators Italiano, Hugh Kelly, Dumont and Tanzman - that the oversight should be corrected.

I cannot estimate the added cost to the State and to the municipalities. According to figures made available to my office in January, and last June there were 24,500 New Jerseyans receiving railroad retirement benefits, 38,000 receiving State pensions that disqualify them for Social Security, and 16,147 receiving Federal benefits, for a total of 78,647. At the same time, 505,045 residents were receiving Social Security.

The number of non-Social Security recipients owning homes has not, to my knowledge, been determined. Neither has the number who would qualify under the Act's income ceiling after excluding retirement benefits in an amount equal to the maximum they would be entitled to under Social Security. It is my opinion, however, that the number of additional tax deductions that would be granted if SCR-2016 were to be approved would be considerably less than the total number of 78,647.

But while I am acutely conscious of the budgetary problems besetting New Jersey, I also believe that SCR-2016 should be considered solely on its merits as an anti-discriminatory piece of legislation.

On that basis, Mr. Chairman, I ask that my whole-hearted support of SCR-2016 be made a matter of record, and I urge the Legislature to accord it unanimous approval with a view toward encouraging acceptance by the electorate in next November's voting.

SENATOR SEARS: Thank you, Mr. Donohue.

Any questions, gentlemen?

SENATOR STOUT: I don't have any.

SENATOR ITALIANO: No questions.

SENATOR STOUT: Thank you very much.

Are there any other witnesses on this bill?

If not, I will declare the hearing adjourned and thank you all very much for coming.

(Hearing concluded)

NJTA

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April 13, 1971

TO: Senator Harry L. Sears, Chairman
Senate Judiciary Committee

FROM: Frank W. Haines, Executive Director



Senate Concurrent Resolution No. 2016, to broaden the definition of benefits excluded from the \$5,000 income limitation for senior citizens' property tax deductions.

The purpose of this bill which further amends Article VIII, Section I, paragraph 4 of the State Constitution, appears to be correction of some of the discriminatory inequities caused certain senior citizens by the 1970 amendment. We refer particularly to the exclusion of Social Security benefits from the \$5,000 income limit. The proposal to change last year's amendment even before one year's experience is evidence of complications caused by hasty action without adequate consideration of the overall problem.

NJTA was the only party to testify at the public hearing held May 5 last year on A.C.R. No. 75. Our position then was for "no action at this time". We further stated:

"...legislative action should be delayed pending study and recommendations of the....Governor's New Jersey Tax Policy Committee."

Our position on S.C.R. No. 2016 is similar to our position on A.C.R. No. 75 last year. We not only again urge delay, but also reluctantly add our opposition, even though we are fully cognizant of and sympathetic to the problems of the potential beneficiaries of the action.

Among reasons for our position are:

1. The attempted remedy may be worse than the problem created by the 1970 change. While it would appear that most other income sources which a person would have in lieu of Social Security have been provided for in S.C.R. No. 2016, the result is an extremely complex amendment and ballot question not only to read, but to understand. Moreover, it is difficult to comprehend how administration of the exemption can be simply interpreted for citizens, and easily administered by local assessors and tax collectors.

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2. Complex amendatory material should not be included in a State Constitution. A broad grant of power to the Legislature to enact deductions without attempting to specify details would be more desirable. Herewith is an example of an alternative approach to senior citizens' deductions:

The Legislature may, from time to time, enact laws to grant a reduction in taxes by providing for a deduction from the amount of any tax bill for taxes on real property of any resident sixty-five years of age or older, and providing for income and other qualifications to obtain such reduction.

How much simpler that is than the present New Jersey approach of adding numerous complicated details in a Constitutional amendment and having a referendum every time the qualification provisions are changed. A broad Constitutional approach leaves the details to statutory enactment. We think this alternative is not only more acceptable, but also speedier and less costly since costs involved with frequent statewide public referenda would be eliminated.

3. The fiscal impact on each municipality's taxes and its taxpayers is unknown, even though the Division of Taxation's overall cost estimate is \$10 million. How the State will pay for its 50% share is not indicated. A higher mandated cost such as is implied by this amendment causes a shifting of State budget spending priorities in the absence of additional revenues.

4. The proposed amendment continues to discriminate against non-property owning senior citizens who may be as needy as those who own property.

5. This amendment will further shift the tax burden from one group of taxpayers to another, a fact which all taxpayers must recognize. We do not consider this to be tax reform.

For these reasons, we believe enactment of a detailed senior citizens constitutional amendment should be delayed until the results of the Tax Policy Committee study are known.

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