VOL. I

P U B L I C   H E A R I N G

before

COMMISSION TO STUDY THE ADEQUACY
OF EXISTING LAWS PERTAINING TO TAXATION
OF STATE-OWNED LANDS IN MUNICIPALITIES,
constituted under Joint Resolution No. 10
of 1965 and reconstituted under Joint
Resolution No. 7 of 1967

Held:
June 6, 1968
Assembly Chamber
State House
Trenton, New Jersey

MEMBERS OF COMMISSION PRESENT:

Assemblyman S. Howard Woodson, Jr.
[Chairman]

Aaron K. Neeld

Assemblyman Everett B. Vreeland

Also:

Norman E. Hardy, Deputy State Treasurer

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I N D E X

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ASSEMBLYMAN S. HOWARD WOODSON, JR. [Chairman]: Gentlemen, we are ready to begin the public hearings on the adequacy of existing laws relating to taxation of state-owned land by local taxing districts. This Commission was constituted under Joint Resolution No. 10 of 1965 and reconstituted under Joint Resolution No. 7 of 1967. Let the record show that present, as members of the Commission, are Assemblyman Everett B. Vreeland, Mr. Aaron K. Neeld, and S. Howard Woodson, Jr. Also Norman E. Hardy, Deputy Treasurer, State of New Jersey.

The format will be this: I will call your names in the order of your having signed in, and I would appreciate it if each person who is going to testify would sit at this mike and give your name, the organization or municipality that you represent. When you make your oral statement, if, in addition to that, you have a written statement that you wish to submit, we will accept that as well.

Are there any statements that members of the Commission wish to make? If not, the first person to testify will be Mr. Russel T. Wilson, New Jersey State League of Municipalities.

RUSSEL T. WILSON: Reverend Woodson, members of the Commission, Mr. Neeld, one of my former instructors in the business of tax assessing. Good to see you, sir.

My name is Russell T. Wilson. I am Assessor for the City of Hackensack and Chairman of the Tax Study Committee of the New Jersey State League of Municipalities. I am here today representing the League.

I am happy to have this opportunity to discuss with the Commission the very serious inadequacies of the present system of in-lieu tax payments.

New Jersey's statutory framework for in-lieu payments is a patchwork of piecemeal provisions which is illogical, inconsistent and highly inadequate.

The basic statute authorizing in-lieu payments for state properties is N. J. S. A. 54:4-2. 1. This statute provides in-lieu payments to those municipalities having in excess of 9% of their total area in tax exempt, state-owned public use. We believe this provision should be carefully re-examined in the light of the realities of today's municipal fiscal framework. It is common knowledge that municipalities rely almost exclusively on the real property tax for operating revenues. The arbitrary 9% provision in the law imposes an unfair and discriminatory burden on those municipalities with a smaller, but nevertheless significant, portion of their lands in state ownership.

There are other inadequacies in N. J. S. A. 54:4-2. 1. We are informed that in many cases, the state's in-lieu payments, although theoretically payment in full, are based on the taxable value of the land at the time of acquisition.

Many such properties have been in State ownership for decades; the assessed valuation of which would be many times higher at today's values.

We, therefore, strongly urge that the law be amended to provide that payment be made on the basis of assessed valuation as of the previous tax year.

Also with regard to 54:4-2.1, we are not sure that the percentage of a municipality's land in State ownership is the most logical basis for determining the State's in-lieu payments. We would suggest for your consideration a percentage of the municipality's total equalized valuation as a more accurate yardstick for measuring the municipality's loss. It could well be that a state-owned tax exempt property comprising only 2 or 3% of the land in a given municipality could represent 12 or 15% of that community's taxable property.

Another approach would be the creation of a special fund to reimburse the affected municipalities. The League called for such a fund through a conference resolution last November. That resolution reads as follows:

"WHEREAS, The State of New Jersey, the Counties of the State, and their various departments, agencies and subsidiary or autonomous units, in order to administer and carry out the duties and functions imposed upon each, own extensive amounts of property in many municipalities throughout New Jersey, which property holdings will become increasingly more extensive with the passage of time; and

"WHEREAS, The same municipalities are by virtue of the status attendant to any city, reeling under the burden of a limited tax base; and

"WHEREAS, The tax exempt status of the aforesaid buildings and properties has substantially reduced and will further continue to reduce the tax base in those municipalities containing such properties; and

"WHEREAS, The said properties service not only the citizens of the municipalities in which they are located but the citizens of the entire State of New Jersey as well; and

"WHEREAS, There is an immediate and urgent need for (1) an equitable plan to relieve the said municipalities so burdened, of the hardship imposed upon them, and (2) to reimburse them for the tax income of which they have been deprived as a result of the loss of such buildings and properties from the tax rolls; and, now, therefore, be it

"RESOLVED, That the New Jersey State League of Municipalities, cognizant of the urgent need for immediate action on behalf of all of its member municipalities so affected, endorses the principle of reimbursement to a municipality as a result of the taking of lands and buildings for public use by the state, or county, or its or their various departments, agencies and subsidiary or autonomous units; and be it further

"RESOLVED, That the New Jersey State League of Municipalities will petition the Legislature of the State of New Jersey to create, and will use all of its power and influence to have created, a fund from which all municipalities, so affected by lands and buildings heretofore or hereafter taken for such public purposes, shall receive full reimbursement for the tax revenue they would have received from the said property if it were private property; and be it further

"RESOLVED, That immediate action to implement the intent and purpose of the resolution shall be taken by the President and Officers of this League."

Moving on now to the broadened aspects of the statutory framework for in-lieu payments to municipalities -- Although not relating to State-owned properties, there are several laws on the books authorizing in-lieu payments to municipalities which must come under legislative review. I am referring specifically to N. J. S. A. 54:4A-4. 5 which authorizes payments by the Palisades Interstate Park Commission of so-called "sums to compensate" municipalities in which their holdings exceed 10% of the total land area. In the same category are statutes dealing with county holdings such as N. J. S. A. 40:37-101.6 which reimburses municipalities for losses from county park lands when such lands exceed 35% of the total area. Another statute deals with First Class Counties and authorizes 1/2 and 3/4 rebates of county taxes depending on population and the number of acres involved.

There is no provision at all for reimbursement to municipalities which provide all the services to the rapidly expanding county court houses, administration buildings, jails and parking lots.

Taken collectively the combined statutes dealing with state and county in-lieu payments are a hodgepodge of varying formulas, none of which is adequate. We strongly urge a review of all of these statutes so that a standard formula can be devised which can be used to realistically compensate every municipality having such exempt holdings within its taxing district. Under such a formula municipalities would be reimbursed in direct proportion to the equalized assessed value of the exempted properties. The payment could be either dollar-for-dollar, or a percentage of the lost taxes; we, of course, would prefer the former.

I, of course, will be happy to answer any questions which any of the members of the Commission might have. In anticipation of one question I must confess that we are not able to present detailed statistics as to the loss of revenues which these exempted properties represent across the State. The 1967 Annual Report of the Division of Taxation cites a figure for "exempt public property" - other than schools - of $1,639,511,815. We feel that the figure is considerably higher because in communities where the state lands are less than 9% and, therefore, not eligible for in lieu payments, the assessor does not usually bother to appraise the actual worth of the properties.

Thank you very much, gentlemen.

ASSEMBLYMAN WOODSON: Thank you , sir. Are there any questions which members of the Commission want to ask?

MR. NEELD: Well, I have one or two. One is really not a question. I believe your proposal includes compensation by the county for county property within a specific municipality for court house, jails, etc.-

MR. WILSON: That is correct.

MR. NEELD: - that reimbursement to be made by the county, not by the State for the county.

MR. WILSON: Obviously it should be done that way.

MR. NEELD: Now the question of just how far the compensation for exempt property should extend - we talk about state institutions, state-owned lands, parks, recreation areas, hunting, fishing, etc. preserves. What about the large land areas that are now taken by the Highway Department? I am thinking particularly of John Fitch Way III which is something that is very close to our problem here.

They put in an interchange from Route 29 onto U. S. 1. I forget the figure but it seems to me it covers three or four acres, maybe more, maybe twice that as a matter of fact, in a valuable area. Should that be a part of the compensable exempt property list? That's only one of them, of course, and I was wondering what you think.

MR. WILSON: Well, Mr. Neeld, I recognize full well, since I was the Assessor in East Orange at the time Route 280 went through there. It cost twelve million dollars in ratables right through the center of the municipality, and personally I am well aware of the problem. Fort Lee is another example of the loss of ratables to the Authorities. I recognize that these are drastic blows to any municipality, yet realistically I just don't see how in-lieu payments could be extended to cover the loss of ratables to the installation of roads. I just don't know how this can be done. I hate to suggest it, especially coming from the municipality's standpoint, but perhaps the solution would be larger taxing districts.

MR. NEELD: Would your answer be the same with reference to the Parkway Authority and the Turnpike Authority properties?

MR. WILSON: Not necessarily, Mr. Neeld, because here there is definitely revenue being derived as a result of the charges for use of the roads by vehicles. And here, as you may recall, the League has for many years adopted resolutions urging in-lieu payments at least for all the Authorities, including the Bridge Authorities. No, I think it's a little different case here. Where we have public roads is one thing, but where we have toll roads is something else again.

MR. NEELD: Just one more question: On the matter of valuation for reimbursement purposes on exempt property, we get into a very difficult area, as I know you well recognize. Do you feel that the reimbursement should apply to improvements as well as land values - improvement valuations as well as land valuations?

MR. WILSON: Well, of course, you gentlemen didn't put me under oath when I took the stand, but I assume I am. I think, in all honesty, that the loss to the municipality lies in the loss of the physical utility of the land. Now actually the buildings are something that are created and I don't think, except for the services that are provided by a municipality for super-structures, that the municipality can actually trace the loss through the erection of a building. I think very frankly that we would be inclined to settle for in-lieu taxes on the lost land. I think basically this is a fair request.

MR. NEELD: As such and not in addition to compensation for services rendered. Or would you tie in the two?

MR. WILSON: I think there might be a special inference. For example, a gigantic high-rise office building might require services which would far exceed the revenue which would be derived from the land if it were less intensely utilized, so I think that maybe there should be some provision as to where the services cost the municipalities more than the tax or the in-lieu payment that would be received from the land. I think there might be some provision made for that. This would be the unusual case, I think, but it could exist in places like Trenton, Newark, and the larger municipalities.

MR. NEELD: Thank you. I got the answers I expected to get.

ASSEMBLYMAN WOODSON: Are there any other questions that anyone on the Commission wants to ask? [No further questions] Thank you very much, Mr. Wilson?

The next person to testify will be Mr. William E. Henn, Committeeman, Ewing Township.

W I L L I A M E. H E N N: Reverend Woodson and members of the Commission, we in Ewing Township appreciate the opportunity of appearing before you to express our concern over in-lieu of tax payments because of the tax situation we find ourselves involved in. Specifically this is our statement which I am making as Finance Director and Committeeman of Ewing Township.

The State of New Jersey owns 1,380 acres representing 13.91 per cent of the total lands of Ewing Township. These lands occupied by The Trenton State College, State Hospital, State Home for Girls, State School for the Deaf, State Police, State Department of Transportation and two State farms are assessed for tax purposes by the Township of Ewing under R.S. 54:4-2.1 at a maximum $430,162. The State, for insurance purposes, values these holdings at a very conservative $50,000,000.

Each year our township has rendered individual tax bills to the State as provided for under the law for the various institutions and agencies just mentioned. For the years 1960 through 1966, we were underpaid $68,530.73.

During the spring of 1967, representatives of our official family, including myself, appeared before the Joint Legislative Appropriations Committee seeking its support in authorizing payment of the $68,530.73 in back taxes and the then current 1967 bills amounting to $20,207.58. Subsequently, we received confirmation that $18,881 had been budgeted for 1967. No action was taken on the arrears and we were never advised as to why the full $20,207.58 was not appropriated. This year, Ewing's tax bills to the State of New Jersey total $23,993.76 and, according to a recent Trenton Times article, we are slated to receive only $17,500.00, which is less than we realized last year.

It must be agreed that $17,500 in tax compensation for State agencies valued in excess of $50,000,000 is totally inadequate to offset the many services rendered them by Ewing Township. A study undertaken by our Department of Public Safety early this year, disclosed that 19.5 per cent of all Ewing's lareceny-theft reports originated at Trenton State College. In addition, thousands of man hours are involved each year in traffic control, criminal record checks, and security patrols by Ewing Police on behalf of the State.

Ewing is largely a residential community and it can hardly be argued, therefore, that local business benefits greatly from having the large force made up of state employees working in the township. As a matter of fact, hundreds of state employees make their homes in Ewing and send their children to local schools, thus adding to the over-all local tax burden.

To depart from the text for just a minute - this wasn't meant to infer by any stretch of the imagination that state employees living in Ewing are second-class citizens, but it's quite obvious that if the State does not assume its fair share of local school taxes, this does become a burden.

To pursue - Ewing's tax rate this year is $7.63 per hundred dollars of assessed valuation and reflects a staggering increase of 23 per cent over the $6.19 levied in 1967. A major factor causing this increase resulted from the enactment of the business personal property tax replacement package which, in 1968, will deprive our community of $205,000 in tax revenues. The fact that Governor Hughes vetoed S-281, which if enacted would have resulted in a sizeable portion of that loss being returned to ours and 259 other municipalities, will work a severe hardship on Ewing's taxpayers this year and in the years to come. This, plus the fact that we are deprived of adequate tax revenues on nearly 14 per cent of our total land area, prompts this observation:

Unless the Legislature, through appropriate legislation, takes prompt corrective action to eliminate the inequitable state-owned property tax situation as it applies to Ewing, the burden to our local taxpayers in continuing the unreasonable subsidization of the seven State agencies in our Township, will become an impossible one.

In conclusion, this matter is one that for ten years we have been pleading recognition of and attention to. We again respectfully ask for prompt relief in the form of a revised statute which would make it mandatory that the State pay local purpose and school taxes on the reasonable value of its holdings within a municipality.

ASSEMBLYMAN WOODSON: Thank you very much, Mr. Henn. Are there any questions that any members of the Commission wish to ask?

MR. NEELD: Just one. Your bills for the last seven years have been based on the assessed valuation of the state-owned land at the time of acquisition?

MR. HENN: Yes, sir, without improvements, and only the local purpose and school taxes have been levied.

MR. NEELD: What is your thought with regard to the inclusion also of the cost of county government -

MR. HENN: I didn't hear you, Mr. Neeld.

MR. NEELD: What is your thought with respect to including cost of county government in this total tax reimbursement package?

MR. HENN: We, of course, are involved there also but our primary concern at this time is the situation as it applies to the State on in-lieu of taxes. The county, so far as we are concerned, does not represent a major problem as the State does, because contrary to the testimony that preceded mine, I think you can appreciate that, with these seven institutions and agencies and in particular the State College and the State Department of Transportation, it brings into the township tremendous numbers of people that demand service and are entitled to it. Contrary to this, the county installations do not attract too many workers.

MR. NEELD: Well, that isn't quite what I was thinking about. Ewing Township, along with the other 12 districts in Mercer - I think that's what it is - bears its proportionate share of county costs of government.

MR. HENN: Right.

MR. NEELD: Now, to the extent that the State payment does not include some provision for reimbursement fpr county costs, your other taxpayers must pick up that burden. Is that right?

MR. HENN: It is very true that this is something that, of course, we would be interested in. However, as I indicated before, Mr. Neeld, at the moment, with many bridges to cross, we would like to cross this one first if possible.

ASSEMBLYMAN WOODSON: Any other questions?

MR. HARDY: I don't have a question but I would like to dispel one thought you seem to have about the State's position and the Governor's position on veto of the save harmless provisions of 1967. You may not be aware that when the initial calculations of state revenues in the Chapter 51 replacement package were made, it was assumed that there would be about a five million dollar shortage in these three tax bills which the State would make up, and gradually as additional years were added, it became obvious that this leeway would grow a little. We are finally in a position now to calculate what our real shortage will be and it is four million dollars, roughly, more than we expected, and I think the Governor's veto of the bill which would have added one more year of save from harm and consequently another five million dollars of cost to the State took into consideration our up-dated information of what the package would produce to the State. So it was a very realistic appraisal that brought about this veto.

MR. HENN: I indeed appreciate that point. This was added more for emphasis. With the loss of this revenue, it just intensifies the problem that we have which is centered on the State in lieu of tax payments.

ASSEMBLYMAN WOODSON: Are there any other questions?

MR. NEELD: Just one more, Mr. Chairman. You emphasized the need for mandatory legislation for reimbursement, meaning that if you are entitled to twenty thousand dollars that's what you are going to get, not seventeen or some other figure.

Do you have any notions as to how that might be accomplished, because we have the very difficult problem of no subsequent Legislature being bound by the acts of the preceding Legislature. So you have what appears to be, as a matter of fact, now, I think, R.S. 54:4-2.1, or whatever it is, which is rather in the nature of a mandatory declaration of the right of the municipality for reimbursement. So what sort of legislation could we adopt that would take from the Appropriations Committee or some other agency the power to pass judgment on what will be paid each year, depending generally on how much money is available to make payment?

MR. HENN: Well, Mr. Neeld, what you say is very true. R.S. 54:4-2.1 is indeed mandatory, because it states that the

State shall pay, and shall do thus and so. I don't know that I am equipped to answer your question. It has always been frustrating to us that we in Ewing Township meet all of the requirements of that particular law, and yet each year we do not realize in revenues what we bill the State. It would be hoped on our part that if new legislation is enacted and it is mandatory, the State would live with its commitment.

MR. NEELD: I think the municipalities in Bergen County with the Palisades Interstate Park Commission land are confronted with the same problem. The bill is submitted but the payment is always adjusted downward.

ASSEMBLYMAN WOODSON: In other words, then, your suggestion is that any subsequent legislation should mandate to the Appropriations Committee, without any editorial opinion on their part, the matter of paying whatever moneys are actually owed on the basis of the provisions of the law.

MR. HENN: This would be my recommendation, Reverend Woodson.

ASSEMBLYMAN WOODSON: And, if I make no mistake, in the figures here for the years 1960 through 1963, you have an accumulative amount of $68,530 owed to Ewing Township under present provisions of the law 54:4-2.1.

MR. HENN: Yes, sir. That is 1960 through 1966, I believe.

ASSEMBLYMAN WOODSON: Do you have any figures at all relative to services rendered because of the State-owned lands being in Ewing County; for instance, police man hours, etc., garbage collection, and things of that kind?

MR. HENN: I mentioned that 19.5 per cent of the larceny - theft reports involved Trenton State College during a study period. At the State College there were 3700, when we took this study, day students and 4800 night students. We issued parking decals for 1526 day students and 1227 night students; criminal record checks - approximately 300 look-ups regarding applicants for Trenton State College dining hall, maintenance department, etc.; security posts involving approximately 400 man hours of planning regarding traffic posts daily, Monday through Thursday, for social events, dances, athletic events, etc. The State Department of Transportation represents quite a traffic problem for the local police as well.

You are perhaps aware of the several fires that occurred in dormitories at Trenton State College. I think this was January, two years ago, where arson was suspected, and a considerable amount of time was involved in that investigation on the part of our police. We have three volunteer fire companies, as you know, and they were very much involved in that because they were large fires. This past year we had a large fire at the Jones Farm which required the services of all three fire departments for better than 24 hours. So the services that we provide are expensive, and reasonably so because of the tremendous numbers of people who either work in or attend these agencies and institutions.

ASSEMBLYMAN WOODSON: Thank you, sir. Are there any further questions?

MR. NEELD: Just one more, if I may. Your bill now is roughly $20,000 for 1967.

MR. HENN: Well, $23,993, I believe, for this current tax year. The bills just went out.

MR. NEELD: Now that is based, as I believe you testified, on the assessed value of that state-owned property as of the time of acquisition by the State, which obviously involves some rather low assessed valuations. Do you have any notion what that bill would be if Mr. Russel Wilson's proposal were adopted; namely, that it be based on current assessed valuations of land in the taxing district?

MR. HENN: Well, land values today in Ewing Township average about $3,000 an acre, so we have 1380 acres owned by the State; therefore, you would have a little over a million dollars in assessed valuations. The local purpose tax is 58¢ this year, and the school tax is $4.65 - we will say roughly $5.00. Applied to the 50 per cent ratio, it would be half a million and that would work out to - let's see; I lost track of my thinking here - about $250,000.

MR. NEELD: Your ratio is 50 per cent?

MR. HENN: Yes, sir.

ASSEMBLYMAN WOODSON: Any further questions?

Thank you, Mr. Henn.

Mr. Naples has indicated he has to go back to the City Hall, and Mr. Reynolds will, I am sure, understand my calling on Mr. Naples at this time. Mr. Gerald Naples, Councilman of the City of Trenton.

G E R A L D   N A P L E S: First I would like to apologize to whomever I preempted. I have an appointment at 11 o'clock, and I will try to be as brief as possible.

At the outset, the gentleman from the League of Municipalities read a resolution. I believe it is an amended version of what I submitted last year, wherein we talked it over at the League in the Resolutions Committee, and I will state here unequivocally that I personally feel that while the resolution did contain county and state property, any method of payment should be based on separate legislation for county tax exempt property, separate legislation for state tax exempt property. The problem for county property is not too great in Trenton but, nevertheless, I realize that a great many municipalities have that problem, and I think it should be based on separate legislation.

I have written a bill at the request of Senator Coffee, which I will submit. It deals with state tax exempt property. The City of Trenton, with approximately fifty-two million dollars true value, assessed at 50 per cent, twenty-six million dollars, would yield us at 12.04 tax rate something like 1.6 million dollars. To say that a city with Trenton's problems would need that money or a portion of it - [I'm sorry. It would be three million dollars)- would be the understatement of the generation. It's true of any big city.

The property tax in itself is regressive, inequitable, and one day it will have to be done away with. Some day, I know that, but presently we have to live with it. Therefore, any loss of ratables by any tax exempt property hurts - no question about it.

I am fully aware of the fact that properties are tax exempt because they provide a service. Oftentimes they provide a service which city government, county government, and whichever government it is would have to provide for itself but, nevertheless, with the shrinking tax base I don't think they can be relieved totally of financial responsibility to the municipality and, more importantly, to the taxpayers of that particular area.

One of the big questions is that everybody agrees with you, and for years they have been agreeing, and I have talked to oldtimers who were in the game of politics long before I ran; everybody seems to favor the question in principle and, at the extent of being overly cynical, you can't spend principle. We need the money and we need it badly. Everyone favors it, but apparently every year the cities come before the committee with their hand out, and either a pittance or nothing is handed out. This can't continue. I agree with the gentleman from Ewing. You've got to have legislation.

I stuck my neck out a little in the bill. I spelled out a method of payment. It's in a nice little place where it can be deleted all at once if it ever gets to the floor. If anyone would like to delete the method of payment and substitute their own and we get the same amount of money, my pride won't be hurt at all. The color of the bill could be different, but I hope the color of the money will be the same. I'm laying it right on the line.

The method of payment I spelled out was a simple one. I didn't talk about services. I took the total equalized evaluation of each community - and you would lump the total in the State, all the property in the State, all the ratables - took the valuation of all state properties. Now these figures can be disputed. I got them last August and they can be very different today. I got a true value of $270,000,000. This would be land and improvements. I didn't mess around with highways. I didn't want to get into that. I personally feel that inasmuch as every community in the State benefits from state property - for example, the Highway Building in Ewing Township services everybody in the State - why should the people of Ewing have to bear the entire burden. The Agricultural Building in Trenton services everyone - well, I'll say a lot of people - in the State. I don't want to get into any conflict there but you know what I mean there. Why should the people of Trenton have to bear the entire burden by virtue of geography. It's wrong, and something should be done about it.

It's been argued that it would be unfair to let each municipality in the State chip in to a fund, which I will go into in a little bit of detail. Each municipality in the State would have a percentage of its equalized valuation assessed to it. It would be placed into a fund. Now what the percentage is every year would vary, of course, because the amount of equalized valuation in the State could go down total, the amount of state-exempt property could either go up or go down. If, for example, the total tax bill which the State would pay if these buildings were private property, based on 50 per cent of true value - two hundred seventy million dollars true value - it would average - well, I struck a hypothetical figure last year of twelve dollars. It seems a little ironic, the Trenton figure went to twelve dollars. I didn't know it advanced. But if you apply a twelve dollar average to that 50 per cent, the total tax bill which the State would pay out would be around sixteen or seventeen million dollars.

In the bill, I don't demand that the State pay full taxation. Number 1, I'm a realist; Number 2, they do provide services which government would have to provide for itself, as I stated before. I would be very satisfied with a one-half tax payment which would give Trenton 1.6 million dollars.

Getting back to the method of payment, let's say they would take a fifth of a mill of equalized valuation of each community, put it into a fund, and let the appropriate department - I suggested a committee within the Department of the Treasury - administer it, and then it would make these fair payments. Some people have told me this is totally wrong to do. They are for it in principle, and I keep asking, how are you going to get the money? One distinguished gentleman of this community whom I won't mention said, "You're all wet." I said, "Well, where are you going to get the money?" He said, "Well, let them take it out of the general treasury." I said, "Well, if you take it out of the general treasury, two things are going to happen. You are either going to have to cut back services, and in effect the people will be paying for it that way, or you are going to have to raise revenues in general - sales tax, pardon me - cigarette tax, liquor tax, -that's your decision, not mine - and any other kind of normal state revenue, and in effect your consumer would be paying for it. So it's basically the same thing. If you're for it in principle, the money has got to be arrived at somehow. This is a more direct method of arriving at it. Those communities that can afford to pay their fair share, pay it; those which can't, pay less. It's very much like the principle of local fair share in your school aid formula.

This is about all I have to say. I think you have a copy of the legislation that I mailed you, Reverend, and you might take a look at it.

ASSEMBLYMAN WOODSON: Do you happen to have a copy there?

MR. NAPLES: I'll give you this one. I have about ten or twelve more back at the office.

Are there any questions?

ASSEMBLYMAN WOODSON: It has been suggested, in discussing the matter around the State, that in certain areas in the State where there is a concentration of state-owned land and buildings, the municipality tends to benefit businesswise because the buildings are located in that particular municipality and, therefore, some consideration for that should be given. It has been suggested also that the City of Trenton, for instance, for instance, requested that the buildings be located here in Trenton rather than in other municipalities. What is your reaction to it?

MR. NAPLES: I don't know which Councilman or which City Commissioner or which Mayor said that -

ASSEMBLYMAN WOODSON: No, this is just around the State.

MR. NAPLES: Oh, around the State in general?

ASSEMBLYMAN WOODSON: In general.

MR. NAPLES: As I said, there is a certain amount of prestige to state buildings. This has always been the case. People have always wanted business to flourish in its community, but in the last 15 years you have seen the flight from your center cities, both from the standpoint of businesses and individuals, largely because of the tremendous taxes, cost of acquisition within the city, etc. It is reaching the point where people who would on their lunch hour patronize these businesses may not have too many businesses to patronize. Fifteen or twenty years ago, I would say that the demand would be great, but actually I think that some day this is going to result in the municipalities actually fighting the erection of state property. They can't do anything about it but they are going to show great chagrin at it publicly instead of privately; take my word on that.

ASSEMBLYMAN WOODSON: Are there any questions by members of the Commission?

MR. NEELD: Yes, I have one. Councilman Naples, your position differs from that of Mr. Henn and Mr. Wilson in that you propose that the valuation of buildings be included as well as the land.

MR. NAPLES: Definitely.

MR. NEELD: Have you given any thought as to how you value a State House or Museum or a State Library?

MR. NAPLES: I would leave that to the professional assessors, but it is quite possible that many communities - I know Trenton, in its last revaluation, did - appraise - I don't like to use the word "assess," I think "appraise is a better word - appraise the value of state buildings. Perhaps, as I stated in the bill, you can use the figures at the last revaluation. Pass this bill and you'll get your answer. They'll find a way to appraise them. I know what you're thinking. It's quite possible some municipalities may take advantage of it. That's very true. Well, then perhaps you can take the county abstract of ratables or have the state committee appraise them. Pass this or any other bill in any form which would get Trenton the money it needs and I don't care, but you are asking me a professional question. I'm not in the business of appraising property. I have a real estate salesman's license but I haven't practiced in a while so I couldn't give you a direct answer.

MR. NEELD: Well, it is a real problem, I assure you of that.

One other question. Presently our law provides for very substantial tax concessions for privately owned property, particularly in urban renewal areas.

MR. NAPLES: Fox - Lance?

MR. NEELD: As a matter of fact, it can apply to any area under the Fox-Lance law. Those special statutes are usually written around a percentage of gross income for a period of years.

MR. NAPLES: Gross rents usually.

MR. NEELD: Now it makes quite a difference between the actual tax that the city would collect and the tax which it in fact collects under any such agreement for new construction. Would your bill impose a tax burden on the State greater than industry would pay under those pieces of legislation?

MR. NAPLES: Number One, whether or not industry would be given tax concessions is not a matter of general policy. It would be a question of each particular governing body on each particular proposal making a determination. Number Two, I stated that the State, because it does give us some benefit and a certain amount of prestige - I am not saying that cynically either, believe me; I'm very proud to have the State Capitol here - should only - I don't want to use the words "pay taxes" - the State wouldn't be paying taxes. Each municipality in the State would pay its fair share along the concept, I would say, of state responsibility, the same as we would pay a certain percentage of our federal tax to help the people of Mississippi or somewhere. The question of State responsibility is no less an issue here.

You asked me the question of comparing industry to government. It's very difficult to answer. One is a profit-making venture; the other is a servant of the people and it is paid for entirely by the people, and if I were to answer your question directly, I don't think it would mean too much because we are not talking about apples and apples, to be perfectly frank.

MR. NEELD: Your bill hasn't been introduced, has it?

MR. NAPLES: No. I spoke with Senator Coffee about it and he will wait for the opportune time.

MR. NEELD: It isn't in any way related to Assembly Bill 360 of this year - or last year it was - by Assemblymen Farrington, Sweeney and Woodson?

MR. NAPLES: To be perfectly honest with you, I am not familiar with the contents of that bill last year.

MR. NEELD: Well, that's not the bill anyway.

MR. NAPLES: Oh, no.

MR. HARDY: I missed one figure. You took the appraised value of the buildings here in Trenton, the factor of 50 per cent and a tax rate of $12 and came up with what you consider to be a fair tax bill for the State to pay Trenton. I missed that. Can you give me that again?

MR. NAPLES: In the bill, to keep municipalities from taking advantage of it, I placed a limit of $12 per 100 per cent valuation. In other words, if their tax rate went to $13.50, they could only tax it up to $12 per 100 per cent of assessed valuation, and if they raised their assessment to 70 per cent- [God forbid; that would be a catastrophe in itself]- they could only assess it at 50 per cent of true value.

As I wrote this, our tax rate was 10.50 and just by coincidence, it looks like a loaded bill here but it isn't; it was a coincidence what Trenton went to. We are getting shortchanged by four cents if it passes, but I won't mind. I won't cry.

MR. HARDY: Did you come up with a figure when you made that statement about how much this bill would mean?

MR. NAPLES: For Trenton?

MR. HARDY: Yes.

MR. NAPLES: Well, you figure it out. Under the formula or what it would be under normal taxation - it would be about three million dollars, 3.2 million dollars under normal taxation; 52 million dollars; 26 million dollars, apply $12 to it and it will be a little over three million dollars. A half tax payment, I figured 1.6, around that area there. You know, money can't buy everything; neither can poverty. And we are getting poor in the cities.

ASSEMBLYMAN WOODSON: Any further questions?

Thank you very much. Will you leave a copy here of your proposed bill with us. We will have it entered as part of the record.

The next person to speak will be Mr. John Reynolds, Committeeman, Ewing Township.

J O H N A. R E Y N O L D S: Rev. Woodson and members of the Commission, Mr. Henn, of course, has presented our case. I will try not to be repetitious. I would like just to make a couple of remarks.

First of all, I have I believe a somewhat classic example of what is being discussed here this morning. We will or we have advanced to the State of New Jersey a bill requesting payment of $549.91 for lands owned by the Highway Department. Now this is less than many homeowners in our community are going to pay for their very small lot or their very modest home. So, as I say, I think this is a very classic example of the inequity of the existing legislation.

Concerning whether payment should be made just on lands or whether payment should be made also on buildings, I, of course, favor payment on lands and buildings. Buildings are erected to serve all the citizens in the State of New Jersey, and it seems to me unfair to ask the residents of any community to pay a disproportionate share; for example, Trenton State College has been erected to service the children of the State of New Jersey from every community. We in Ewing Township are paying, through our taxes, to maintain and operate and to construct those buildings. In addition to that, of course, we are paying a disproportionate share in the sense that the loss of the lands and the loss of any ratables that might ensue or might follow from buildings that would be privately erected on those lands.

Reference has been made to the county. We do have considerable county land in Ewing Township. However, there is one distinction to be made between what happens with the county and what happens with the State. With the county lands, any buildings on those lands which may be leased to private operation, we receive taxes on, as though they were owned by the person operating the business, and as though the buildings belonged to them. Of course, from the State we get nothing.

As I said, I didn't wish to be repetitious. I might say this, that if payments were to be made on buildings and lands I think it would approximate $1,308,000; whereas on lands alone we estimate the value of the lands to be about $250,000. So we do hope that something will follow as a result of the efforts of you gentlemen.

Thank you very much, and I will submit to any questions.

ASSEMBLYMAN WOODSON: Mr. Reynolds, I think you heard Mr. Naples' proposal that municipalities throughout the State contribute to payments to municipalities where there are state-owned lands and buildings. What is your reaction to that proposal that is based on the philosophy that since these buildings and lands service the entire citizenry of New Jersey rather than simply the people of the municipality in which they are located, other municipalities in which they may not be located should share in the cost of those lands and/or buildings?

MR. REYNOLDS: I don't know what method Mr. Naples proposes to use but I would say this, that if legislation were enacted and if such legislation were mandatory, certain payments be made to communities which possess lands and/or buildings, or possess lands and buildings. Then, of course, the moneys would have to be raised by the State of New Jersey and would be raised from all persons within the State of New Jersey which would include, of course, the municipality to which it refers. Without details, Reverend, I am reluctant to comment appreciably on what the proposal is.

ASSEMBLYMAN WOODSON: Are there any further questions? Thank you very much, sir.

Mr. John Matzer.

J O H N M A T Z E R, J R.: Mr. Chairman, Members of the Commission, my name is John Matzer, Jr. I am Business Administrator for the City of Trenton. I welcome the opportunity to be able to discuss with you today the problem of tax exempt property in Trenton. The total taxable value of State-owned property in Trenton is $26,000,000. This is approximately 10 per cent of our total taxable value and is equivalent to about one-third of our total exempt property, which is in the area of around $90,000,000. We do not qualify under the present statute for payment in lieu, which is the 9 per cent statute, since the State owns only 6 per cent of the area in our city. I would also like to point out that we do receive a payment from the State for services. In 1963 we received $20,000; in 1964 $40,000, and we have received $60,000 in 1965, 1966, and 1967, and hopefully 1968. Although we are indeed grateful for this payment, we do feel that it is extremely inadequate in terms of what we feel the costs are to the City as a result of having State-owned properties located in the City. We do provide services - police and fire protection, sewer services, and problems are created on our streets as a result of traffic flow and traffic conditions.

Now we also feel that there are many legitimate reasons for the State's making contributions to municipalities for tax exempt property and for increasing the amounts now paid.

Number 1, I would like to point out that State properties are not evenly distributed throughout the State. In Trenton, for example, they do occupy a good part of the city, and we have almost no vacant land. So State-exempt properties in Trenton are a particularly serious problem, whereas, in other municipalities, of course, State property may be much smaller and may not have the same impact.

Number 2, I would like to point out that I feel that the benefits from State property accrue to the entire State. The agencies located in Trenton do service the people throughout the State in other municipalities.

Number 3. A large portion of the State property, if in private hands, would be taxed. I am talking now of State office buildings, for example - not even paying any attention to the Museum, educational institutions, etc., which would be exempt under normal circumstances, but office buildings, if in private hands, would be taxed.

Number 4. The City does incur considerable cost as a result of the State property being in Trenton. It has the problem of providing fire protection for the many valuable State buildings; the problem of police protection, street maintenance, traffic control, sewer service. In the case of water, the State does pay the City.

Number 5. The continued acquisition of property by the State does present a problem in Trenton because, as I pointed out, we are small and have very little vacant land. So Route 29 and the possible acquisition of other properties will have a serious impact on our rate base.

Now, if the State paid full taxes, as pointed out by Councilman Naples, we would receive three million dollars. If only the municipal tax rate was used, it would be a million four hundred thousand dollars. In the case of Canada, this is one example where the Province of Ontario does pay full taxes. However, it is paid on properties excluding parks, hospitals, correctional and educational institutions, museums, libraries and cemeteries. In other words, full taxes are paid really on office buildings and that type of construction. So this may be something to consider in your review.

I would now like to review some of the alternatives which we feel you should investigate in your study of State tax-exempt property.

1. The consideration of the application of a proportion of the local tax rate to the tax value of State property. In Hartford, Connecticut, which is a capital city, they have been talking about the possibility of using a one-third municipal rate. If this were done in Trenton, the City would receive $900,000, if we used one-third of our tax rate.

2. Another possible alternative is the formula proposed in Assembly Bill 186. This formula would apply a modified tax rate to 20 per cent of the assessed value of State property. Here only certain services would be applicable - police, fire, sanitation, and sewage services, for example, and you would use a 20 per cent ratio. If this were applied to our City, it would be $130,000 that we would receive from the State.

Now this bill is a modified version of the formula which the City has been using for the last few years in appealing to the State for payment for services. Our formula considers services which we feel are fully applicable to the State, those which are partly applicable, and we have made a provision for some overhead. Using our formula, we feel we should receive as a payment for services some $850,000 from the State. This amount has been modified somewhat and Assembly Bill 527 requests the payment of $649,000 as payment for services rendered the State.

3. Another alternative would be to base the payment on the assessed value of the property at the time it was taken by the State, multiplied by the current tax rate. Here it is our feeling that this would at least help soften the blow in the future to municipalities where the State acquires property, in that it would be some provision for continued taxes based on the value of the property before the State acquired it.

. Another alternative would be for the State to pay the taxes that the municipality formerly received from properties on that site. As an example, from the areas now occupied by the Labor and Industry building, the Education Building, and the Health and Agriculture Building, the City of Trenton formerly received $67,000 in taxes. So if this alternative were considered, in other words, if the State were to continue to pay $67,000 even though the new buildings, of course, are much more valuable and if based on their value, the taxes would be much greater.

Another alternative which has been mentioned this morning is payment by the State of taxes on the taxable value of its land exclusive of improvements. If we use the full City tax rate, the City would receive over $800,000. If we applied only the municipal tax rate, based on the value of State land, the City would receive some $400,000.

Still another alternative would be a payment based on a millage rate as applied to the equalized or the true value of State-owned property, and arbitrarily using a three-mill rate based on the true value of $52,000,000 in State property, the City would receive some $156,000.

It is our feeling that a State payment based or related to the value of State property would be the most equitable. We have been applying to the State based on services rendered. We recognize the difficulties in using this approach. There can be disagreement over what services are applicable; there can be disagreement on the measuring techniques used to arrive at the cost for these services. It is our feeling that if you relate it to the value, value can be determined, and an adjustment can be made for the value of the benefits received from the State property, and we do feel that we do receive benefits from the location of State property in Trenton.

In closing, I would just like to say that we recognize the problem that you have before you -it's a difficult one - in determining payments, but I would like to point out that we are hopeful that a more equitable arrangement can be made, in particular for the City of Trenton, on tax exempt property, the whole area of tax exempt property. It is very serious. Thirty-four per cent of our total taxable value is tax exempt property, and one-third of this is State-owned exempt property.

Thank you , gentlemen.

ASSEMBLYMAN WOODSON: Are there any questions by members of the Commission?

MR. NEELD: If I may, Mr. Matzer, I know you are fully aware of the complications involved in the administration of property tax laws so, therefore, I would like to have your view as to which one of the several proposals, forgetting now for the moment the financial reimbursement involved and looking at it from the standpoint of practical administration, which one of the proposals do you think would operate most equitably statewide?

MR. MATZER: I don't think, being practical and realistic about it, that we will ever get full taxes, Number 1. I should also point out that we have been basing our case on services. I personally feel that the most equitable approach would probably be on land value or the value of land and improvements such as office buildings, similar to what Canada is doing. If you can place a value on State office buildings, State shops, and things of that sort - and I think because you can do this, this would be the fairest and most equitable approach, and I think it could be applied uniformly throughout the State, using land - and I'd like to see improvements in the case of office buildings and that type of thing.

MR. NEELD: Do you think that that probably would be a better approach than an attempt to make an in-lieu tax payment along with an in-services payment?

MR. MATZER: Well, I do, because, first of all, how would you determine your in-lieu payment and, secondly, the in-service payment is a difficult one, and I just think it's extremely impossible to reach any agrement on the formula that would be used. We have identified some of our services and, as a result of that, we have estimated about $500,000, just using - in the case of fire, for example, the total value of the property being protected by our fire service; in the case of police, some detailed cost records, again in general just a certain percentage of the police budget. But you get to the impact on your street maintenance and your street cleaning, I just don't know how to do it really. I don't know what kind of measuring techniques you could develop it to do it.

ASSEMBLYMAN WOODSON: Are there any other questions? [No questions.] Thank you very much, Mr. Matzer.

Mr. Raymond Steen, Greater Trenton Council.

R A Y M O N D S T E E N: Rev. Woodson and Members the Commission, my name is Raymond Steen, President of the Greater Council. Thank you for the opportunity of appearing before this hearing to discuss this matter which is of such great economic importance to the City of Trenton. As is generally known, the Greater Trenton Council fought vigorously seven years ago to retain the State office buildings within the City of Trenton. We felt then, as we do today, that the thousands of State employees, centralized within a three square mile area, provide crystal benefits that mean a great deal to the economic base of the core. These employees who shop and eat within the downtown section make our area vritually depression proof. However, on the other hand, the cold fiscal fact remains that these tax exempt structures, which require many municipal services, place a tremendous strain on our local economy which is virtually at the breaking point. Approximately 33 per cent of our real property is now exempt from taxation, and the percentage increases each year. You are aware of the municipal services required by these buildings. It has been stated here this morning, and there is no reason for me to restate it.

I forcibly urge this Commission to request the Legislature to reimburse the City for these costly services by including an appropriation in the new budget to go into effect July 1st.

I am not going to attempt to suggest a specific method of payment, but leave that to your good judgment to decide by perhaps choosing one of the methods suggested by our Business Administrator Mr. Matzer. I congratulate this Commission for coming to grips with this difficult problem and urge you to act with dispatch to ease the economic plight of this distinguished and historical capital city.

Thank you, sir.

ASSEMBLYMAN WOODSON: Thank you, Mr. Steen.

Are there any questions from members of the Commission? [No questions].

Mr. Herbert Moore.

H E R B E R T   F.   M O O R E: My name is Herbert F. Moore. I appear on behalf of the Greater Trenton Chamber of Commerce. I wish to thank Rev. Woodson and the gentlemen here for giving us an opportunity to present our views at this time.

The problem that the State faces is one that is being faced throughout the country today, and of course is more aggravated in the East where you have aging cities. Some states, I understand, do have some type of constitutional prohibition against this type of aid that we are discussing today. New Jersey, fortunately, does not have that type of prohibition in its Constitution. In fact, we do have on the State books various pieces of legislation under various formulas permitting State aid in lieu of taxes. Of course, in each of these instances it always ends up in the lap of the Appropriations Committee as to whether anybody gets anything and so, to that extent, it's not what you would call effective legislation that a municipality could depend upon in making up its budget each year.

The states today and the Congress of the United States are assuming a greater role and have developed a much greater sense of responsibility as to the damage being done to our society by the aging cities. No one has to be deeply knowledgeable of social affairs to realize that there have been crash programs instituted by the Federal Government as well as various state governments to alleviate the ghetto problem brought about by aging cities. And the answers to these problems evolve to a great degree around money. We can't avoid that. And this is, of course, the point of your investigation and the reason for our being here is moneys for these municipalities.

New Jersey has seen fit to recently create the Department of Community Affairs headed by an officer in the Governor's cabinet for the express purpose of trying to unravel the problems of the aging cities and the social problems that are created by this economic phenomenom. We have in New Jersey over the past few years revised our tax laws to achieve a greater equity. The problem of how we are going to help municialities in which the State maintains large facilities, either acreagewise, as in Ewing Township, or like in Trenton, Newark and other cities where the land area may not be excessive but the use is by way of the per capita use, the number of people who are enjoying the services of the city. So you have two elements to consider here and, of course, the spread in New Jersey between North and South Jersey even today is still quite drastic. You have almost a rural area by comparison in South Jersey to North Jersey, and the problems are different. This makes it a much more complex problem to solve. I don't think we can come up with, and I think perhaps for you gentlemen here to try to come up with a formula from testimony like this that is equitable to all counties in the State and all the problems of the various municipalities in the State, created by the state use of land, is something that I think is beyond hope. I think you have to turn to some agency like the State Tax Policy Commission, which is a technical group, for aid in arriving at a formula that would be equitable and in order to get the State Legislature to act in unison to adopt legislation, obviously it's got to be equitable to all municipalities and to all counties. And that, unquestionably, is a very great problem.

Now, in Trenton here the argument is often advanced that what would Trenton be, what would its business district be without the State capitol being located here? Unquestionably Trenton depends in large measure upon the payroll of the State of New Jersey, but that argument does not hold the same amount of weight today as it did twenty, thirty, or forty years ago, because we have a very highly mobile population. The fact that the State pays Mary Jones as secretary a hundred dollars a week doesn't mean that she spends that hundred dollars in Trenton or any part of it. She may commute from an outlying suburban area or she may commute from another county and, in addition to the commuting, she will depend upon an automobile to transport her to Pennsylvania or New York to spend her money. So I don't think it has the same impact today that it once had. Unquestionably there is an element of truth there. That is very obvious. But I think to try to excuse payment to the City of Trenton on the grounds that Trenton is deriving great benefits and that's the whole answer, I think is begging the question. I don't think that is the whole answer, and a little reflection on anyone's part I am sure will cause you to agree with the point I just mentioned as to why it is not the whole answer.

I wish I could come here on behalf of the Chamber and say that we have a pat formula to give you to solve everything, but we don't. I am very thankful, and we are, here in Trenton, very thankful that the Legislature has seen fit to organize this Commission to investigate this. It's a very grave problem, and we would urge that you turn to either the State Tax Policy Commission or create your own group of experts to dig deeply into the problem to come up with a fair solution that will help the municipalities, and help them overcome their own social problems.

Thank you very much.

ASSEMBLYMAN WOODSON: Any questions by the Commission?

Thank you very much.

Mr. John Smith, Commissioner of Revenue and Finance, City of New Brunswick.

J O H N A. S M I T H: Gentlemen, I come here as a citizen of the City of New Brunswick and its Director of Revenue and Finance, and associated, of course, as you are here, with the cause of good government and service to the public. I do not speak here today for a special favor though our needs could support such a claim. Rather I speak for fairness and justice and, more particularly, the lack of these qualities as they exist in the present relationship between city and state.

The point at issue this morning, so far as we are concerned, is the amount of payment in lieu of taxes the City of New Brunswick receives by virtue of the presence of Rutgers - The State University. Currently it is $110,000. This amount was raised from $98,000 in 1961. We appreciate the fact that this is a large sum of money. We also appreciate the benefits that accrue to a community by virtue of the presence of such an important state institution - its huge student-faculty population, its importance as an area employer, as a purchaser of area goods and services, etc.

However, please weigh these important facts: Rutgers University holds over 1,000 acres of exempt land in New Brunswick. Picture this in a city like New Brunswick with a total land area of only five and a quarter square miles.

The "true value" of land and improvements is $59,307,900. In taxes, at the 1967 rate of $6.25 per hundred, this represents a tax loss of $1,853,371.88. In the tax picture at the 1968 rate of $7.58 we carry a tax loss of just about two and a quarter million dollars.

Since the present amount was established, since 1961, Rutgers has acquired an additional $1,979,200 in ratables - removing them from our tax rolls. This does not include current construction valued at well over $7 million. Notice please, if you will, the tax rate in 1968 is $1.33per 100 greater than in 1967. With our reliance on the property tax for income, this massive diminishing of the land available to tax is fast becoming confiscatory on that which remains.

New Brunswick has a limited land area, yet we find one-third of our total assessed valuation exempt from the tax rolls. You all recognize that the urban crisis is a fact, there are many programs being considered to ease this burden, but meanwhile we must deal with the here and now.

I would claim that increasing this payment is due us not only because of the decreasing buying power of $110,000 in 1968 versus its worth when established in 1961; not only because we are entitled to consideration for the additional holdings acquired by Rutgers in the period since the current sum was determined, but because it represents an opportunity for you to render practical assistance to a New Jersey city immediately.

The public has a right to certain basic services from the municipality. The quantity and quality, as well as the cost, of providing such services continues to spiral upwards. The source of income continues to erode. It is equally true that it is in the best interests of the local community and the state as a whole to have competent and qualified persons serve in public office. Yet, as a Commissioner, I am appalled at the untenable box we find ourselves in, over which we can exert so little influence. Not only is this situation personally frustrating but it surely must serve as a detriment to attracting the calibre of citizen our communities need most.

I would suggest that a realistic increase in the amount granted is a practical, immediate and just step you can take. It won't solve our problems. How can we cope with the welfare costs; how can we provide necessary services to those who require the most in service, yet possess the least ability to pay? We have 566 units of low income federally-assisted housing in New Brunswick that is also tax exempt. Balance that against the services provided by the various city departments of health, public works, welfare, public safety, and most of all education.

We have a substantial portion of our taxpayers in the fixed income category. We are an old city made up of a lot of old people. Can I say to them, "Dispose of your home; we don't want you to finish out your days with us; you've paid taxes all your life but now we must have more?"

It is true that Rutgers does contribute to the community and its economic well-being but the revenue the city must have to operate and to provide service comes from the property tax. We do not receive taxes from the University to support our school system; to provide public works projects to maintain facilities equal to the burden of our residents' needs plus an extra population of over 10,000; to provide adequate public safety in terms of the requirements of police and fire. By virtue of this additional population, we do have additional customers for our merchants, cultural, educational and athletic events that are a real asset, talented manpower that can be involved in the city, but this very size costs the municipality in terms of the services it must provide - yet our income base is not sufficient to provide what is necessary, particularly in terms of equipment and facilities.

I say to you that we have clearly shown we are doing the best we can, seeking assistance from every avenue available.

In this past year, we have acquired a community center for our town where there had been none (we are leasing it for $1.00 per year pending a grant application for purchase from the National Guard of New Jersey); we have five neighborhood swimming pools where there had been none (paid for by the business community at no cost to the city). We have a job and training program for disadvantaged citizens financed by local industry through the United Community Services. We have also an application in for a Model Cities Planning Grant.

But we can't continually ask private groups to underwrite directly basic municipal costs - which are continually rising! The city must pay for the equipment required to operate - not only office machines but the heavy equipment needed for adequate public service, and the specialized equipment required by policemen and firemen if they are to adequately do their job.

The city must pay reasonable salaries if they expect to attract competent employees. The cities must meet the welfare burden which usually includes costs for a large "non-resident" segment. Most of all the city is required to finance education.

To pay means money and basically, to a city, money means ratables. Yet we have literally reached the point of no return. We are the county seat and we are proud of that status; we are the home of the State University, and we are proud of that distinction, but New Brunswick does not have the monopoly on their services. The State University is just that; it serves the entire state and the benefits accruing to New Brunswick by virtue of its location within our narrow boundaries (5 square miles) does not balance with the penalty of a $2,247,769.41 tax loss. When you subtract the $110,000 amount of payment in lieu of taxes you see the classic example of just "a drop in the bucket." We need, and my case today is that we are entitled to, a much more substantial monetary return. The penalty for providing a home for this state institution, an institution that is continually growing and acquiring more land, is too excessive a burden on the taxpayers of New Brunswick. Equity demands a more reasonable reckoning.

Gentlemen, let's be realistic. How can New Brunswick possibly continue in its efforts to solve its share of urban problems when we are being straitjacketed and strangled by this local tax exemption situation. We in the City of New Brunswick are not asking for a special privilege. We are merely requesting that the rest of the citizens of the State of New Jersey share in the tax exempt subsidization of Rutgers, the State University.

I have heard many proposed suggestions to the solution of the problem and different formulas, and I found some of them to be very interesting and I would like to study them. I have one formula here that might possibly be thrown into the pot for your consideration. I think possibly that if only the municipal tax portion of the over-all tax rate is applied to the total assessed valuation of the tax exempt property, it would bring the situation to a much more equitable basis, especially where one-third of our assessments are tax exempt. After all, the owners of these exempt properties make use of our services, so why pass the burden of maintaining these services and these uses only to the local taxpayer. Everyone likes to feel and know that his neighbor is also paying his fair share. So I would like to suggest to you that we spread the burden equitably throughout the entire State.

Thank you, gentlemen.

ASSEMBLYMAN WOODSON: Thank you very much. Are there any questions?

MR. NEELD: As I understand it, the last proposal was to value state-owned property for assessment purposes the same as you do privately-owned property within the district for assessment purposes.

MR. SMITH: Yes.

MR. NEELD: And then to apply to these assessed valuation the local purpose rate, which is exclusive of the rate for schools and for county purposes as representing a fair contribution by the State to the municipality in lieu of a full tax payment. Is that it?

MR. SMITH: That is exactly my suggestion, yes, sir.

ASSEMBLYMAN WOODSON: Any other questions?

Thank you very much.

Are there any other persons who wish to testify? If not, I would like to request that the following memoranda and reports be included as a part of the formal report of this hearing: One is dated September 25, 1967, which gives to us a breakdown of New Jersey's payment in lieu of taxes; in addition to that, a study made by Wisconsin in which there is compared what other states are doing in relation to Wisconsin; and then two memoranda dealing with money in lieu of taxes, dated November 13, 1962; and one coming from the Department of Budget and Accounting, dated March 18, 1965.

In addition, I would like to have included as part of the record the following bills which have been introduced: Senate Bills Nos. 51, 52, 53, 59, 137, 244, 264, 320, 394; Assembly Bills Nos. 186, 527, and Assembly Joint Resolution No. 2.

Do any members of the Commission have any material they wish to have included in the record of today's hearing?

[No response]

Thank you very much, gentlemen, for your time. The Commission will be meeting in the very near future after a formal report has been put together, to make further study and recommendations as to disposition of the problem of the adequacy of money in lieu of taxes for state-owned lands in municipalities. Thank you very much.

[A D J O U R N E D]

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SENATE, No. 51

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1968 SESSION

By Senators MUSTO, KELLY, GUARINI and HAUSER

An Act to amend the title of "An act authorizing and empowering the Port of New York Authority to make payments to municipalities in the Port of New York District," approved April 7, 1931 (P. L. 1931, c. 69), so that the same shall read "An act authorizing, empowering and directing the Port of New York Authority to make payments to municipalities in the Port of New York District," and to amend the body of said act.

Be it enacted *by the Senate and General Assembly of the State of New Jersey:*

1. The title of "An act authorizing and empowering the Port of New York Authority to make payments to municipalities in the Port of New York District," approved April 7, 1931, is amended to read "An act authorizing, empowering and directing the Port of New York Authority to make payments to municipalities in the Port of New York District."

2. Section 1 of the act of which this act is amendatory is amended to read as follows:

1. To the end that counties, cities, boroughs, villages, towns, townships and other municipalities in the Port of New York District, may not suffer undue loss of taxes and assessments by reason of the acquisition and ownership of property therein by the Port of New York Authority (hereinafter called the port authority), the port authority is hereby authorized, **[**and**]** empowered**[**, in its discretion,**]** *and directed* to enter into **[**a voluntary**]** agreement or agreements with any county, city, borough, village, town, township or other municipality in said port district, whereby it will undertake to pay a fair and reasonable sum or sums annually *in lieu of taxes* in connection with any **[**marine or inland terminal**]** property owned by it**[**, not in excess of the sum last paid as taxes upon such property prior to the time of its acquisition by the port authority**]**. Such payment or payments which

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

the port authority is hereby authorized, [and] empowered *and directed* to make, shall be in such amount or amounts and shall be payable at such time or times and under such terms and conditions as shall be agreed upon by and between the port authority and such county, city, village, borough, town, township or other municipality concerned.

3. Section 2 of the act of which this act is amendatory is amended to read as follows:

2. Every county, city, village, borough, town, township or other municipality in the Port of New York District aforesaid is hereby authorized, [and] empowered *and directed* to enter into such agreement or agreements with the port authority to accept the payment or payments which the port authority is hereby authorized, [and] empowered *and directed* to make. The sums so received by any county, city, village, borough, town, township or other municipality shall be devoted to purposes to which taxes may be applied, unless and until otherwise directed by the law of the State in which such municipality is located.

4. This act shall take effect upon the enactment into law by the State of New York of legislation having an identical effect with this act, but if the State of New York has already enacted such legislation this act shall take effect immediately.

STATEMENT

As the Port of New York Authority has acquired facilities and as it continues to expand these facilities, more and more valuable property is removed from the taxing jurisdiction of numerous municipalities, thereby increasing the burden upon the remaining property owners. It is evident that these facilities operated by the authority should pay their share of the operating costs of the municipalities.

Therefore, it is the purpose of this bill to amend the act empowering the authority to make payments in lieu of taxes at its own discretion to make it mandatory upon the authority to make such payments.

SENATE, No. 52

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1968 SESSION

By Senators MUSTO, KELLY, GUARINI and HAUSER

A SUPPLEMENT to "The New Jersey Highway Authority Act," approved April 14, 1952 (P. L. 1952, c. 16).

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. Notwithstanding the provisions of the act to which this act is a supplement, the New Jersey Highway Authority is hereby authorized and directed to enter into agreements with municipalities in which it has or shall acquire land, whereby it will undertake to pay such municipalities a fair and reasonable sum or sums to compensate the several municipalities for loss in tax revenues due to the acquisition of land heretofore or hereafter acquired for projects of the authority.

2. This act shall take effect immediately.

STATEMENT

Since a number of municipalities have been financially penalized through loss of taxes on property acquired by the New Jersey Highway Authority, it is the purpose of this bill to require the authority to make an equitable payment in lieu of taxes on such property.

SENATE, No. 53

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1968 SESSION

By Senators MUSTO, KELLY, GUARINI and HAUSER

A Supplement to the "New Jersey Turnpike Authority Act of 1948," approved October 27, 1948 (P. L. 1948, c. 454).

Be it enacted *by the Senate and General Assembly of the State of New Jersey:*

1. Notwithstanding the provisions of the act to which this act is a supplement, the New Jersey Turnpike Authority is hereby authorized and directed to enter into agreements with municipalities in which it has or shall acquire land, whereby it will undertake to pay such municipalities a fair and reasonable sum or sums to compensate the several municipalities for loss in tax revenues due to the acquisition of land heretofore or hereafter acquired for projects of the authority.

2. This act shall take effect immediately.

STATEMENT

Since a number of municipalities have been financially penalized through loss of taxes on property acquired by the New Jersey Turnpike Authority, it is the purpose of this bill to require the authority to make payments in lieu of taxes on such property.

SENATE, No. 59

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1968 SESSION

By Senators MUSTO, KELLY, GUARINI and HAUSER

AN ACT authorizing the Governor on behalf of the State of New Jersey to enter into a supplemental compact or agreement with the Commonwealth of Pennsylvania, amending Article XI of the compact or agreement between the State of New Jersey and the Commonwealth of Pennsylvania authorized by an act entitled "An act providing for joint action by Pennsylvania and New Jersey in the development of the ports on the lower Delaware river and the improvement of the facilities for transportation across the said river; authorizing the New Jersey Interstate Bridge Commission on behalf of the State of New Jersey for these purposes to enter into an agreement with the Commonwealth of Pennsylvania creating the Delaware River Joint Commission and specifying the powers and duties thereof, including the power to finance projects by the issuance of revenue bonds; transferring to the new commission all the powers of the Delaware River Bridge Joint Commission and making an appropriation," approved June 30, 1931 (P. L. 1931, c. 391), as the same was amended and supplemented by a supplemental compact or agreement authorized by chapter 288 of the laws of 1951 whereby the name of the Delaware River Bridge Joint Commission was changed to the Delaware River Port Authority, and authorizing the Governor to apply on behalf of the State of New Jersey to the Congress of the United States for its consent to such further supplemental compact or agreement.

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. The Governor is hereby authorized to enter into a supplemental compact or agreement, on behalf of the State of New Jersey, with the Commonwealth of Pennsylvania, amending and supplementing the compact or agreement between the Commonwealth of Pennsylvania and the State of New

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

Jersey entitled "Agreement between the Commonwealth of Pennsylvania and the State of New Jersey creating the Delaware River Joint Commission as a body corporate and politic and defining its powers and duties," which was executed on behalf of the Commonwealth of Pennsylvania by its Governor on July 1, 1931, and on behalf of the State of New Jersey by the New Jersey Interstate Bridge Commission by its members on July 1, 1931, and which was consented to by the Congress of the United States by Public Resolution Number 26, being chapter 258 of the public laws, seventy-second Congress, approved June 14, 1932, and the amendment and supplement thereto changing the name of the Delaware River Joint Commission to the Delaware River Port Authority, changing the method of appointment of the commissioners, extending the jurisdiction, powers and duties of said Delaware River Port Authority, and defining such additional jurisdiction, powers and duties executed on behalf of the State of New Jersey by its Governor on August 23, 1951, and on behalf of the Commonwealth of Pennsylvania by its Governor on August 30, 1951.

The Commonwealth of Pennsylvania and the State of New Jersey do hereby solemnly covenant and agree with each other, as follows:

(1) Article XI of the "Agreement between the Commonwealth of Pennsylvania and the State of New Jersey creating the Delaware River Joint Commission as a body corporate and politic and defining its powers and duties," which was executed on behalf of the Commonwealth of Pennsylvania by its Governor on July 1, 1931, and on behalf of the State of New Jersey by the New Jersey Interstate Bridge Commission by its members on July 1, 1931, and which was consented to by the Congress of the United States by Public Resolution Number 26, being chapter 258 of the public laws, seventy-second Congress, approved June 14, 1932, and the supplement thereto entitled:

> "Supplemental agreement between the Commonwealth of Pennsylvania and the State of New Jersey amending and supplementing the agreement entitled 'Agreement between the Commonwealth of Pennsylvania and the State of New Jersey creating the Delaware River Joint Commission as a body corporate and politic and defining its powers and duties,' changing the name of the Delaware River Joint Commission to the Delaware River Port Authority, changing the method of appointment of the commissioners, extending the jurisdiction, powers and duties of said the Delaware River Port Authority, and defining such additional jurisdiction, powers and duties,"

is amended to read as follows:

ARTICLE XI

The effectuation of its authorized purposes by the commission is and will be in all respects for the benefit of the people of the Commonwealth of Pennsylvania and the State of New Jersey, for the increase of their commerce and prosperity and for the improvement of their health and living conditions; and since the commission will be performing essential governmental functions in effectuating said purposes, the commission shall not be required to pay any taxes or assessments upon any property acquired or used by it for such purposes, and the bonds or other securities or obligations issued by the commission, their transfer and the income therefrom (including any profits made on the sale thereof) shall at all times be free from taxation within the Commonwealth of Pennsylvania and the State of New Jersey.

To the end that municipalities may not suffer undue loss of tax revenue by reason of the acquisition and ownership of property therein by the commission, the commission is hereby authorized [and], empowered *and directed* [, in its discretion,] to enter into [a voluntary] agreement or agreements with any municipality, whereby it will undertake to pay a fair and reasonable sum or sums to compensate the said municipality for any loss of tax revenue in connection with any property acquired by the commission [after 1950 other than property acquired for bridge, tunnel or passenger transportation purposes]. Any such payment or payments which the commission is hereby authorized [and], empowered *and directed* to make may be made on an annual basis[, in which case the payment or payments shall not be in excess of the amount of the taxes upon the property when last assessed prior to the time of its acquisition by the commission, or such payment or payments may be made in a lump sum or sums, or over a stated period of years, as shall be agreed upon by and between the commission and such municipality]. Every municipality wherein the property shall be acquired by the commission is authorized [and], empowered *and directed* to enter into such agreement or agreements with the commission to accept the payment or payments which the commission is herein authorized [and], empowered *and directed* to make.

2. This act shall take effect immediately; but the Governor shall not enter into the supplemental compact or agreement hereinabove set forth on behalf of the State of New Jersey until passage by the Commonwealth of Pennsylvania of a substantially similar act, embodying the supplemental compact or agreement between the 2 States.

STATEMENT

Heretofore, it has been the practice for an autonomous authority, at its own discretion, to negotiate with affected municipalities with regard to payments in lieu of taxes on property acquired by the authority. However, there has been no guarantee to the municipality that an equitable adjustment would be made.

It is the purpose of this bill, therefore, to make it mandatory upon the Delaware River Port Authority to enter into agreements with affected municipalities to properly compensate them for loss of tax revenues.

SENATE, No. 137

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1968 SESSION

By Senators HAUSER and MUSTO

An Act to provide for compensation to certain municipalities, wherein lands are held by any private or State-supported university or college for the loss of tax revenue by reason of the exemption of such lands and the buildings and improvements thereon from taxation, whenever the Legislature shall make an appropriation for such purpose.

Be it enacted *by the Senate and General Assembly of the State of New Jersey:*

1. The assessor of any municipality, wherein are situate lands exempt from taxation and held by any private or State-supported university or college, shall file with the county board of taxation in each year, with his assessment list, a certificate briefly describing, and stating the value of, such lands and the buildings and improvements, if any, thereon, together with a statement of the amounts to be paid to the municipality by such college or university, voluntarily or by agreement, in lieu of taxes or for municipal services rendered to such college or university.

2. The county board of taxation shall, in each year, estimate the sum of money which the municipality would have derived during said year as tax revenue for local purposes from such lands and the buildings and improvements thereon, if the same were not exempt from taxation, together with the amounts to be received by the municipality from such college or university as payments in lieu of taxes or for municipal services as soon as practicable after the receipt of such certificate and shall forthwith certify such amounts to the clerk of the municipality and to the Director of the Division of Budget and Accounting in the Department of the Treasury, who shall transmit copies of said certificate to the Governor forthwith and to the chairmen of the Appropriations Committees of the Senate and General Assembly during the first week of the session of the Legislature held in the next ensuing calendar year, to the end that there may be appropriated by

the Legislature to such municipality a sum to compensate such municipality for the loss of revenue occasioned by reason of the exemption from taxation of such lands and the buildings and improvements thereon.

3. Any sum so appropriated in any year shall be included by the municipality in its budget for the following year as anticipated revenue and shall be paid to the municipality on or before July 1 of that year, according to the warrant of the Director of the Division of Budget and Accounting drawn on the State Treasurer to the order of the treasurer of the municipality.

4. The said sum, so appropriated and paid to the municipality, shall be used by the municipality for general municipal purposes.

5. This act shall take effect immediately.

STATEMENT

Fiscal Data

No possible estimate as to the fiscal impact of this bill can be made. It will be noted that in paragraph 2, line 13 it is provided ". . . to the end that there *may* be appropriated by the Legislature to such municipalities a sum to compensate such municipalities for the loss of revenue . . . ." Paragraph 3 of the bill provides "any sum so appropriated in any year shall be included by the municipality in its budget . . . ."

It is impossible to anticipate whether or not any money would be appropriated for the purpose of the act in any given year and particularly in what amount any such appropriation would be.

CORRECTED COPY

SENATE, No. 244

STATE OF NEW JERSEY

INTRODUCED JANUARY 15, 1968

By Senator DUMONT

Referred to Committee on State Government

A SUPPLEMENT to "An act concerning the acquisition of lands for recreation and conservation purposes, governing the expenditure of money for such purposes, appropriating $60,000,000.00 from the State Recreation and Conservation Land Acquisition Fund for such expenditure, and supplementing Title 13 of the Revised Statutes," approved June 3, 1961 (P. L. 1961, c. 45).

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. To the end that municipalities may not suffer loss of taxes by reason of the acquisition and ownership by the State of New Jersey of property under the provisions of the act of which this act is a supplement, the State Treasurer upon certification of the Commissioner of Conservation and Economic Development shall pay annually on October 1 to each municipality in which property is so acquired (a) a sum equal to that last paid as taxes upon such land for the taxable year immediately prior to the time of its acquisition and (b) in addition, for a period of 13 years following such acquisition the following amounts—in the first year a sum of money equal to that last paid as taxes upon improvements upon such land for the taxable year immediately prior to the time of its acquisition, and thereafter the following percentages of the amount paid in the first year, to wit, second year 92%; third year 84%; fourth year 76%; fifth year 68%; sixth year 60%; seventh year 52%; eighth year 44%; ninth year 36%; tenth year 28%; eleventh year 20%; twelfth year 12%; thirteenth year 4%.

All sums of money received by the respective municipalities as compensation for loss of tax revenue pursuant to this section shall be applied to the same purposes as is the tax revenue from the assessment and collection of taxes on real property of the said municipalities, and to accomplish this end such sums shall be apportioned in the same manner as the general tax rate of the municipality for the tax year preceding the year of receipt.

2. This act shall take effect immediately and shall be retroactive to June 3, 1961.

SENATE, No. 264

STATE OF NEW JERSEY

INTRODUCED JANUARY 15, 1968

By Senators WOODCOCK, KNOWLTON, SCHIAFFO, DICKINSON and HAGEDORN

Referred to Committee on Federal and Interstate Relations

AN ACT to amend "An act to provide for compensation to certain municipalities, wherein lands are held by the Palisades Interstate Park Commission, for the loss of tax revenue by reason of the exemption of such lands from taxation, whenever the Legislature shall make an appropriation for such purpose," approved April 21, 1947 (P. L. 1947, c. 43).

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. Section 1 of the act of which this act is amendatory is amended to read as follows:

1. The assessor of any municipality, wherein is situate lands exempt from taxation and held by the Palisades Interstate Park Commission exceeding in the aggregate **[**10%**]** *7 1/2%* of the total area thereof, shall file with the county board of taxation in each year, with his assessment list, a certificate that the area of such lands exceeds in the aggregate **[**10%**]** *7 1/2%* of the total area of the municipality, briefly describing the same, and stating the value of such lands without the buildings and improvements, if any, as valued in his list of exempt property, prepared pursuant to section 54:4-27 of the Revised Statutes.

2. This act shall take effect immediately.

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

SENATE, No. 320

STATE OF NEW JERSEY

INTRODUCED JANUARY 22, 1968

By Senator CRABIEL

Referred to Committee on State Government

An Act to provide for compensation to certain municipalities, wherein lands are held by any university or college supported wholly or in part from State appropriations, for the loss of tax revenue by reason of the exemption of such lands and the buildings and improvements thereon from taxation, whenever the Legislature shall make an appropriation for such purpose.

Be it enacted *by the Senate and General Assembly of the State of New Jersey:*

1. The assessor of any municipality, wherein are situate lands exempt from taxation and held by any university or college supported wholly or in part from State appropriations, shall file with the county board of taxation in each year, with his assessment list, a certificate briefly describing, and stating the value of, such lands and the buildings and improvements, if any, thereon.

2. The county board of taxation shall, in each year, estimate the sum of money which the municipality would have derived during said year as tax revenue for local purposes from such lands and the buildings and improvements thereon, if the same were not exempt from taxation, as soon as practicable after the receipt of such certificate and shall forthwith certify such amount to the clerk of the municipality and to the Director of the Division of Budget and Accounting in the Department of the Treasury, who shall transmit copies of said certificate to the Governor forthwith and to the chairmen of the Appropriations Committees of the Senate and General Assembly during the first week of the session of the Legislature held in the next ensuing calendar year, to the end that there may be appropriated by the Legislature to such municipality a sum to compensate such municipality for the loss of revenue occasioned by reason of the exemption from taxation of such lands and the buildings and improvements thereon.

3. Any sum so appropriated in any year shall be included by the municipality in its budget for the following year as anticipated revenue and shall be paid to the municipality on or before July 1 of that year, according to the warrant of the Director of the Division of Budget and Accounting drawn on the State Treasurer to the order of the treasurer of the municipality.

4. The said sum, so appropriated and paid to the municipality, shall be used by the municipality for general municipal purposes.

5. This act shall take effect immediately.

SENATE, No. 394

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 5, 1968

By Senator BEADLESTON

Referred to Committee on Taxation

A SUPPLEMENT to "An act concerning the acquisition of lands for recreation and conservation purposes, governing the expenditure of money for such purposes, appropriating $60,000,000.00 from the State Recreation and Conservation Land Acquisition Fund for such expenditure, and supplementing Title 13 of the Revised Statutes," approved June 3, 1961 (P. L. 1961, c. 45).

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. To the end that municipalities may not suffer loss of taxes by reason of the acquisition and ownership by the State of New Jersey of property under the provisions of the act of which this act is a supplement, the State Treasurer upon certification of the Commissioner of Conservation and Economic Development shall pay annually on October 1 to each municipality in which property is so acquired a sum equal to that last paid as taxes upon such land and improvements, if any, for the taxable year immediately prior to the time of its acquisition and thereafter for the next 4 years the following percentages of the amount paid in the first year, to wit, second year 80%; third year 60%; fourth year 40%; fifth year 20%; and thereafter for the sixth and subsequent years, $0.10 per acre on lands so acquired.

All sums of money received by the respective municipalities as compensation for loss of tax revenue pursuant to this section shall be applied to the same purposes as is the tax revenue from the assesment and collection of taxes on real property of the said municipalities, and to accomplish this end such sums shall be apportioned in the same manner as the general tax rate of the municipality for the tax year preceding the year of receipt.

2. This act shall take effect immediately and shall be retroactive to June 3, 1961.

ASSEMBLY, No. 186

STATE OF NEW JERSEY

INTRODUCED JANUARY 29, 1968

By Assemblymen WOODSON, McLEON and MERLINO

Referred to Committee on Appropriations

AN ACT providing for State aid to municipalities as compensation for certain municipal services rendered as to State-owned property exempt from taxation.

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. Any municipality may make annual application to the State for compensation for municipal services rendered in connection with State-owned tax exempt lands and buildings located in the municipality as hereinafter in this act provided.

2. The amount of compensation which any municipality may claim pursuant to this act shall be determined by multiplying the tax rate applicable to the State-owned real property in the municipality by 20% of the assessed valuation of the State-owned real property in the municipality.

3. For the purposes of this act.

(a) "The tax rate applicable to State-owned property" means the municipal tax rate necessary to raise by taxation the amount appropriated for all municipal services, excluding any amount for school purposes, multiplied by the quotient obtained by dividing the amount raised by taxation to provide the municipal services applicable to State-owned property by the amount raised by taxation for all municipal purposes, excluding any amount for school purposes; and

(b) "Municipal services applicable to State-owned property" means public safety services, including police and fire protection; street and road services, including repairs, lighting and traffic services; and sanitation services, including street cleaning, garbage and trash removal and disposal and sewage maintenance and disposal services. Municipal contributions to police and firemen's pension and retirement funds shall be excluded from the cost of police and fire protection.

4. Any municipality applying for compensation for municipal services rendered as to State-owned property during the calendar year 1969 and annually thereafter shall make application therefor to the Director of the Division of Local Government, on or before May 1 of the year following that in which the services were rendered, annexing to its calculation of the amount claimed a brief description of the State-owned lands and buildings and the assessed valuations thereof used as a basis for the claim, together with such other supporting information as the director shall by regulation require.

5. On or before October 1 in each year the Director of the Division of Local Government shall certify to the State Treasurer the amounts required to be budgeted and appropriated to meet claims made pursuant to this act and the same shall be reported to the Governor and the Director of the Division of Budget and Accounting for inclusion in the State budget for the next succeeding fiscal year.

6. Payments to municipalities of sums appropriated for the purposes of this act shall be made between January 1 and January 15 of the State fiscal year in which appropriated and shall be made by warrant of the Director of the Division of Budget and Accounting drawn on the State Treasurer to the order of the treasurer of the municipality. Sums so received by any municipality may be appropriated and used by the municipality for general municipal purposes.

7. The Director of the Division of Local Government, with the approval of the State Treasurer, shall issue rules and regulations to govern applications and investigation and review of claims made pursuant to this act and otherwise as he shall determine necessary to implement this act.

8. No municipality receiving compensation pursuant to this act shall be entitled to claim or receive payments for the year such municipality received such compensation under any other law authorizing State payments in lieu of, or as compensation for, loss of taxes or in payment for municipal services rendered as to State-owned property.

9. This act shall take effect January 1, 1969.

ASSEMBLY, No. 527

STATE OF NEW JERSEY

INTRODUCED MARCH 18, 1968

By Assemblymen MERLINO and WOODSON

Referred to Committee on Appropriations

A Supplement to "An act making appropriations for the support of the State Government and for several public purposes for the fiscal year ending June 30, 1968, and regulating the disbursement thereof," approved May 23, 1967 (P. L. 1967, c. 63).

Be it enacted *by the Senate and General Assembly of the State of New Jersey:*

1. In addition to sums heretofore appropriated the following sums are hereby appropriated out of the General State Fund, for the purposes herein specified:

Department of the Treasury

230-100-390. Division of Purchase and Property

Municipal services provided by the city of Trenton . . $649,485 37

2. This act shall take effect immediately.

STATEMENT

The appropriation in this bill is based upon an approximation of the value of municipal services supplied to State-owned tax-exempt property by the city of Trenton for public safety services, including fire, police (exclusive of pension contributions), civil defense and related communication services; street and road services, including repairs, lighting and traffic regulation; and sanitation services, including street cleaning, garbage and trash removal and disposal, and sewage maintenance and disposal. School and welfare costs are not included in the services supplied as to State property.

ASSEMBLY JOINT RESOLUTION No. 2

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 5, 1968

By Assemblymen DICKEY, KASER, LASKIN and RAYMOND

Referred to Committee on Taxation

A Joint Resolution requesting the Commission on State Tax Policy to study the problem and practices of the State in making payments in lieu of taxes and for services as to publicly-owned real property.

Be it resolved *by the Senate and General Assembly of the State of New Jersey:*

1. The Commission on State Tax Policy is requested to study the problems involved in the loss of tax revenue to municipalities resulting from State, county and other public ownership of real property and of the provision of municipal services to such public property, to evaluate the various statutory and other practices for State payments in lieu of taxes or for services rendered as to such tax exempt property, and to make recommendations in connection therewith.

2. The commission shall report to the Governor and the Legislature on or before July 1, 1969 as to its findings and recommendations.

3. This joint resolution shall take effect immediately.

STATEMENT

The purpose of this resolution is to request the Commission on State Tax Policy to study and make recommendations concerning the practice of the State and other agencies in making payments in lieu of taxes to municipalities to cover the cost of services or to compensate for the loss of tax revenues. The State makes a variety of payments in lieu of taxes to local governments covering State-owned forests, hunting and fishing grounds, reservoirs, parks, "green acres," et cetera. Some of these payments are scheduled by law. Others, such as payments to municipalities affected by the

Palisade Interstate Park, and municipal services furnished by the city of Trenton, are by way of claims presented to the Joint Appropriations Committee. In addition, provision is made for special county tax treatment for municipalities housing certain county facilities.

Each year a substantial number of bills are introduced proposing that the State, counties and various authorities and autonomous units make payments for services or in lieu of taxes for a variety of reasons. A careful study, for legislative consideration, of various plans for uniform payments for services and in lieu of taxes is needed in order to redress many existing inequities and to obviate the constant stream of special legislative bills.

SENATE, NO.

STATE OF NEW JERSEY

INTRODUCED

By Senators

Referred to Committee

AN ACT to provide certain payments by the State of New Jersey to Municipalities with tax-exempt State property. (I don't know whether this would be a supplement or an amendment to existing law - as I could not find anything on the subject in either Chapter 40, Municipalities and Counties or in Chapter 54, Taxation).

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

1. This act shall be known as "The Fair and Equitable Payments to Municipalities Act."

2. It is the purpose of this act to provide that Municipalities with tax-exempt State property shall be reimbursed in an equitable fair amount in the light of a decreasing local property tax base which necessitates that while State property does provide basic services, this same State property cannot be completely absolved of financial responsibility to the local government and its property taxpayers. It is the purpose of this act further, to establish a procedure by which these Municipalities shall

receive fair payment. The Legislature finds and declares:

(a) Local government in New Jersey, the most urbanized State in the United States of America, is reeling under a limited, ever decreasing property tax base. This situation has seen great losses of population in our center ral cities, with such loss of population further compounding the dilemma of increasing problems and decreasing revenue.

(b) Local government in New Jersey, that closest to the people, has the responsibility of solving the many problems which most affect the people directly. Some of these problems are education, police protection, health, waste disposal and provision for long range capital improvements to keep the community a living viable organism for future generations.

(c) Local government in rural and suburban areas, while they do not have exactly the same problems of the urbanized city nevertheless, because of rising local costs and lack of industrial ratables to meet these costs, are beginning to witness the overburdening of their taxpayers, which was not the case ten years ago.

(d) Many local governments in New Jersey, in both rural and urban places, have large amounts of State tax-exempt property which reduce still further an already shrinking tax base.

(e) Experience has shown this reduction of the property tax base shifts the incidence of taxation to those whose property is taxable and contributes to not only large amounts of people leaving a municipality but also contributes to a situation whereby the people who do stay become discouraged from maintaining their property, as the true value often exceeds the market value in situations of this kind. This in turn can lead to blight and more loss of ratables and hence a seemingly never ending cycle.

(f) It is, therefore, the policy of this State to recognize the fact that state tax-exempt property, while it provides basic services, cannot in light of the factors stated in (a) - (e) of this paragraph, be relieved completely of financial responsibility to the local government. To implement this policy, a fair and equitable payment must be made by the State of New Jersey to those municipalities with State tax-exempt property from monies placed into a special fund from which dispersal to local governments will be made.

3. When used in this act:

(a) The term "Fair and Equitable Payment" shall mean a payment by the State of New Jersey to any municipality with tax-exempt State property in the amount of one-half the revenue the local government would receive if the State property were private property. This payment shall be computed on the basis of 50% assessment of true value; and the levy of $12.00 per $100 of assessed valuation as a limit. This is to prevent any municipality from taking unfair advantage of the program. The valuation of the State property shall be that of the amount assigned it in the last revaluation of that municipality.

(b) The term "State property" shall mean all State owned lands and improvements. Highways are not to be included in the definition.

(c) The term "fund" shall mean a provision for resources to implement these payments.

4. (a) There is hereby created within the Department of the Treasury of the State of New Jersey, a committee to administer payments to municipalities with State tax-exempt property.

(b) This committee shall determine the total amount of money the State would pay to all communities in total with State tax-exempt property on the basis of a one-half payment (to the various municipalities) of the full tax bill which the State property would be charged if it were private property.

(c) The committee shall raise its money by assessing each municipality in the State a percentage of its equalized valuation sufficient to equal the amount of money it shall pay out to municipalities with State tax-exempt property, in the manner described in Paragraph 3 (a) of this bill with the limitation of the same Paragraph 3 (a) applying.

(d) The committee shall either make this assessment to each municipality directly, or by subtracting the amount of the assessment from the State aid to that municipality along the principle of the "Local Fair Share" used in determining State aid to Local School Districts.

(e) The committee shall make this determination yearly and revise its figures as State property and/or its value either increases or decreases.

5. This act shall take effect immediately.

STATEMENT

This act is designed to reimburse fairly those municipalities which have State tax-exempt property.

The major provisions contained in this bill are:

(1) The term "fairly" defined in the bill as a one-half tax payment these State properties would make if they were privately owned is arrived at by virtue of the fact that tax-exempt State properties do provide basic services to local government and its citizens and therefore should pay only one-half of the normal tax bill within a prescribed fair limit out of respect to the people of the State who must contribute to the fund to make this program possible.

(2) The reason for assessing each municipality in the State a percentage of its equalized valuation to raise the needed money for the program is arrived at by the fact that these State buildings and lands service every municipality in the State and every citizen as well and not just those municipalities where State property is located. Hence, all should share in the cost of bringing about this equitable program.

(3) The fact that ratables decrease in a property tax based economy does not negate the need for services for those who live in a municipality. These needed services are financed mostly by revenue from the property tax. As these taxes skyrocket particularly in municipalities which have lost ratables, through tax-exempt property, we place the people who live there in the position of deciding between needed services to make it a progressive community, or implementing the words of Henry Clay "The imposition of taxes has its limits. There is a maximum which cannot be transcended". In many cities with tax-exempt State property, the property tax limit has transcended the limit of people's ability to pay. This should not be the case when the State of New Jersey could do something about it.

State of New Jersey

LAW REVISION AND LEGISLATIVE SERVICES

DIVISION OF LEGISLATIVE INFORMATION AND RESEARCH

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RESEARCH DIRECTOR

ARTHUR S. APPLEBAUM
SENIOR RESEARCH ASSOCIATE

MEMORANDUM

TO: Honorable S. Howard Woodson, Chairman
Commission to Study State Payments in Lieu of Taxes

FROM: Samuel A. Alito

DATE: September 25, 1967

This is in response to your request for preliminary background information for the Commission created by Joint Resolution No. 10 (1965) and reconstituted by Joint Resolution No. 7 (1967) "...to study and investigate the adequacy of existing laws relating to the taxation of State-owned lands by taxing districts or the payment of State-aid in lieu of taxes to said taxing districts for the purposes of meeting the costs of providing municipal and school district services...." (Copy of JR 10, 1965 and JR 7, 1967, attached.)

1. Generally speaking, the property of the State of New Jersey, and the property of the several counties, municipalities, school districts and the agencies and the political subdivisions of State used for public purposes are, by law, exempt from local property taxes. (N.J.S.A. 54:4-3.3 et seq.)

2. In a number of instances, the Legislature has provided, by law, for payments in lieu of such local taxes on State-owned property. These laws in some instances are permissive--i.e., they authorize the public agency to make in-lieu payments; in other instances, they are mandatory according to a statutory formula. Attached hereto is an inventory and summary of the principal statutory authorization for State payments to municipalities in lieu of taxes.

3. Although there does not appear to be any statutory provision for payments in lieu of taxes to the City of Trenton, sums available for the City of Trenton have been appropriated under the Division of Purchase and Property account (Acct. No. 230-100-390) and payments have been made as follows:

1964 - - - - -	$20,000
1965 - - - - -	40,000
1966 - - - - -	60,000
1967 - - - - -	60,000
1968 - - - - -	60,000*

* as appropriated

4. Rutgers - the State University's annual State appropriation account (Acct. No. 570-100) has included a line item labelled "Taxes and municipal services"for a number of years. The Douglass College account (Acct. No. 571-100) has included a similar item. Rutgers has also provided additional payments to municipalities from other revenue sources. Payments and Appropriations have been as follows:

	Annual Appropriations (Taxes & Municipal Services)			
Year	Rutgers	Douglass	Total	Total Payments
1963	197,000	15,500	212,500	240,735
1964	190,000	14,000	204,000	249,474
1965	190,000	16,000	206,000	258,452
1966	200,000	16,000	216,000	286,908
1967	197,800	16,000	213,800	333,877
1968	207,800	5,500	213,300	

(See attached exhibit A for a breakdown of payments by municipality for the years 1963-67.)

5. Under R.S. 54:4-2.1 (summarized in the attached inventory) sums have been appropriated and payments have been made to Ewing Township from several budget accounts. See attached exhibit B for the accounts and the payments for the years 1963-67.

6. Also under R.S. 54:4-2.1, payments have been made to several municipalities from the Public Shooting and Fishing Grounds account (Acct. No. 451-400) for the fiscal years 1962 and 1963, payments were provided in supplemental appropriations (Acct. No. 451-400-880). Beginning with the 1964-65 Appropriations Act,

excess amounts in the Public Shooting and Fishing Grounds fund have been appropriated for payments in lieu of taxes equal to 50% of the amount authorized. See attached exhibit C for payments in the years 1963-67. The Division of Fish and Game has advised me that other municipalities are eligible but have not presented their claims to the State. These include Estelle Manor City, Glassboro Township, Clayton Borough, Jackson Township, Manchester Township, and Lacey Township.

6. Under R.S. 13:1-22, payments of 10¢ per acre have been made to municipalities in which State Parks, Forests and Natural areas in excess of 10 acres are located. Prior to July 1, 1966, these sums were appropriated in the Division of Resource Development's account (Acct. No. 420-100-390). The 1966-67 Appropriations Act provided for these payments in the new Division of Parks, Forestry and Recreation account (Acct. No. 490-100-390). Payments for Parks, Forests and Natural areas in the years 1964-67 have been as follows:

	1964	1965	1966	1967
Parks	2,772.93	2,631.21	3,036.85	3,273.40
Forests	16,165.13	16,129.70	16,288.37	16,337.54
Natural Areas			43.25	51.84
Total	18,938.06	18,760.91	19,368.47	19,662.78

(See attached exhibit D for the State Parks, Forests and Natural areas acreage for which payments were made for the years 1964-67.)

7. Under R.S. 54:4A-4, the Subcommittee on Claims has for a number of years made awards to the municipalities wherein the Palisades Interstate Park Commission owns more than 10 per cent of the land. These funds have been provided in Supplemental Appropriations Acts under the Palisade Interstate Park Commission account (Acct. No. 811-100 -- Acct. No. 911-100 in the 1967 Supplemental Appropriations Act). See attached exhibit E for amounts certified and amounts appropriated for the years 1955-66. The Supplemental Appropriations Act for 1966-67 provided the following amounts:

Borough of Alpine	$12,300
Borough of Englewood Cliffs	19,000
Borough of Fort Lee	14,700
Total	46,000

8. Under R.S. 58:20-5 and 58:21-6, which provide for reimbursement for tax losses to municipalities because of the Round Valley and Spruce Run Reservation acquisitions over a period of 13 years on a decreasing percentage basis, payments have been made to municipalities since 1957. From 1957 to 1964, the payments were made from monies raised by the authorized bond issues. Beginning in 1964, these payments have been provided out of the receipts from water sales in the Division of Water Policy and Supply account (Acct. No. 430-400-000). These payments will cease in 1972, 13 years from the last acquisition. See attached exhibit F for the payments made to date.

9. Enclosed for your information are the following related documents:

a. Location of State Owned Land Where 9% or More of Total Area of Municipality, January 1962, by Division of Budget and Accounting.

b. Reprint of Statement on the Legislative History, Proposals, and Recommended Departmental Policy Regarding Payments in Lieu of Taxes, November 13, 1962, a memorandum by Howard J. Wolf, Secretary of the Land Use Committee to Arlo Brown, Chairman.

c. Memorandum from S. A. Bontempo to John Kervick, March 24, 1960.

d. Memorandum from Sidney Glaser to Abram Vermeulen, January 6, 1961.

e. Memorandum from Edward G. Hofgesang to Walter Wechsler, March 18, 1965.

f. Federal, State and County Owned Real Property by Counties and Municipalities as of January 1964, prepared by the Bureau of Statewide Planning Inventory Section, Division of State and Regional Planning.

10. A recent release by the New Jersey Taxpayers Association, Know Your Government, Article 1542, indicates that 15% of the ratable property in New Jersey is tax exempt. The basis for exemption from local property taxes and the level of these exemptions seems related to the work of your commission. A copy of this release, which includes the amount and percentage of exemptions for 1967 by counties, is enclosed.

As your further requested. we are surveying the other States to determine (a) the taxable status of State-owned lands and (b) what statutory arrangements, if any are made for payments in lieu of local property taxes by the State to its political subdivisions. We shall report to you as soon as we can.

Enclosed also find a copy of Assembly Bill Number 360 of 1967 in which a procedure and formula for in-lieu payments by the State to the municipalities is proposed.

CC: To members of Commission

EXHIBIT A

	1963	1964	1965	1966	1967
Payments					
New Brunswick	55,099.24	10,569.23	20,037	19,551	14,072
Payments in lieu of taxes	105,000.00	105,000.00	110,000	110,050	110,000
Piscataway	61,479.33	106,659.51	106,896	113,561	184,438
Highland Park	4,118.32	10,083.62	8,115	6,401	10,570
Newark	4,646.50	14,280.13	11,760	36,744	9,272
Camden	3,163.68	2,359.62	1,124		3,992
Twp. Mine Hill	792.28	521.30	520	601	1,533
Borough Kinnelow	4,016,14				
Freehold	1,508.64				
Twp. Howell	910.24				
Total	240,734.92	249,473.51	258,452	286,908	333,877
Revenue Sources					
General University &Douglass College	220,510.46	190,806.22	198,117	207,490	248,965
Operating Budget					
Auxiliary Services	8,077.73	57,174.74	59,815	78,817	83,379
Various Funds	12,146.73	521.30	520	601	1,533
Physical Plant		971.25			
Total	240,734.92	249,473.51	258,452	286,908	333,877

Note: New Brunswick has been the only municipality to receive payments in lieu of taxes as such. The other payments listed above are for taxes on real and personal property not exempt from taxation under R.S.54:4-3.6.

EXHIBIT B

Payments in Lieu of Taxes to Ewing Township under R.S. 54:4-2.1 for the years 1963-1967.

	1963	1964	1965	1966	1967
Trenton State College Acct. No. 555-100-390	$1,996	3,445	1,996	3,446	3,446
State School for the Deaf Acct. No. 560-100-390	373	445	498	497	500
State Home for Girls Acct. No. 741-100-390	311	383	383	428	929
State Hospital Acct. No. 779-100-390	2,708	3,334	3,726	3,727	3,777
Division of State Police Acct. No. 120-100-390			584	584	588
Total	5,388	7,607	7,187	8,682	9,240

EXHIBIT C

Payments in Lieu of Taxes from the Public Shooting and Fishing Grounds Account (451-400) for the years 1963-67.

	1963	1964	1965	1966	1967
Commercial Township		1,210.60	1,121.06	1,010.42	887.97
Corbin City	186	187.83	150.81	172.28	164.55
Lawrence Township				940.03	531.15
Maurice River Twp.	3,387			1,153.37	
Downe Township				912.88	
Lower Alloway Creek Twp.	1,875	1,294.23	1,197.53	1,145.95	846.17
Hardyston Township	105				
Sandyston Township	1,500				
Total	7,053	2,692.66	2,469.40	5,334.93	2,429.84

EXHIBIT D

State Parks, Forests and Natural Areas Acreage for which payments of 10¢ per acre have been made to municipalities under R.S. 13:1-22.

STATE PARKS	1964	1965	1966	1967
Allaire	1,278	1,278	1,334	1,466
Barnegat	12	12	12	12
Cape May Point	133		133	135
Cheesequake	918	918	990	990
Corson's Inlet				315
Cranberry Lake	199	199	199	199
Double Trouble			1,560	1,614
Duck Island				115
Edison	30	32	31	31
Farney	803	803	803	803
Fort Mott	104	104	104	104
Great Piece Meadows				36
Great Sound			198	198
Greenwood Lake	227	227	227	237
Hacklebarney	194	193	210	443
High Point	11,252	11,252	11,692	11,793
Hopatcong	108	107	107	107
Inskip				31
Island Beach	2,695	2,695	2,694	2,694
Liberty Park				156
Millstone River			3	344
Monmouth Battlefield	563	196	768	1,180
Mount Laurel	20	20	20	20
Musconetcong	343	343	343	343
Ocean Crest	356	336	315	
Parvin	1,117	1,117	1,125	1,125
Princeton Battlefield	40	40	40	51
Rancocas				359
Ringwood	579	579	1,120	1,229
Sandy Hook	10	10	10	10
Stephens Saxon Falls	231	231	231	288
Swartswood	704	704	914	1,123
Voorhees	437	429	437	437
Washington Crossing	447	447	707	715
Washington Rock	27	27	28	28
Wawayanda	4,013	4,013	4,013	4,013
TOTAL	27,731	26,312	30,368	32,734

FORESTS	1964	1965	1966	1967
Abram G. Hewitt	1,890	1,890	1,890	1,890
Bass River	8,418	8,418	8,935	8,935
Belleplain	6,588	6,588	6,651	6,785
Greenbank	1,833	1,833	1,851	
Jackson	43	43	43	43
Jenny Jump	915	915	967	967
Lebanon	22,185	22,185	22,244	22,276
Norvin Green	2,260	2,260	2,260	2,260
Penn	3,318	3,318	3,318	3,318
Stokes	12,857	12,856	13,380	13,613
Wharton	95,634	95,280	95,634	97,578
Worthington	5,711	5,711	5,711	5,711
TOTAL	161,652	161,297	162,884	163,376

NATURAL AREAS	
Cape May Wastelands	449
Cohansey	64
Troy Meadows	5
TOTAL	518

EXHIBIT E

Amounts Certified and Amounts Appropriated for Municipalities affected by the Palisades Interstate Park Commission pursuant to R.S. 54:4A-4 to 7.

Fiscal Year		Boro. of Alpine	Boro. of Englewood Cliffs	Boro. of Fort Lee	Total
1955	Amounts Certified - 1953	34,509.54	78,843.27	66,032.33	179,385.14
	Amounts Appropriated	4,920.36	10,704.47	10,084.13	25,708.96
	Percent of Certification	14.26	13.58	15.27	14.33
1956	Amounts Certified - 1954	41,263.50	87,784.87	72,403.88	201,452.25
	Amounts Appropriated	6,145.00	13,072.00	10,783.00	30,000.00
	Percent of Certification	14.89	14.89	14.89	14.89
1957	Amounts Certified - 1955	39,169.91	79,669.27	76,191.54	195,030.72
	Amounts Appropriated	6,145.00	13,072.00	10,783.00	30,000.00
	Percent of Certification	15.69	16.41	14.15	15.38
1958	Amounts Certified - 1956	55,451.93	81,364.52	76,924.98	213,741.43
	Amounts Appropriated	7,782.00	11,421.00	10,797.00	30,000.00
	Percent of Certification	14.03	14.04	14.04	14.04
1959	Amounts Certified - 1957	56,849.64	92,899.40	86,741.78	236,490.82
	Amounts Appropriated	7,200.00	11,700.00	11,100.00	30,000.00
	Percent of Certification	12.66	12.59	12.80	12.69

EXHIBIT E
(Cont'd)

Fiscal Year		Boro. of Alpine	Boro. of Englewood Cliffs	Boro. of Fort Lee	Total
1960	Amounts Certified - 1958	55,393.01	101,363.44	106,798.99	263,553.44
	Amounts Appropriated	6,300.00	11,400.00	12,300.00	30,000.00
	Percent of Certification	11.37	11.25	11.52	11.38
1961	Amounts Certified - 1959	66,354.04	107,285.86	90,324.78	263,964.68
	Amounts Appropriated	9,000.00	14,660.00	12,340.00	36,000.00
	Percent of Certification	13.56	13.66	13.66	13.64
1962	Amounts Certified - 1960	79,285.18	119,351.85	92,239.25	290,876.28
	Amounts Appropriated	9,800.00	14,775.00	11,425.00	36,000.00
	Percent of Certification	12.36	12.38	12.39	12.38
1963	Amounts Certified - 1961	89,828.35	149,679.01	106,393.06	345,900.42
	Amounts Appropriated	9,350.00	15,500.00	12,340.00	37,190.00
	Percent of Certification	10.41	10.36	11.60	10.75
1964	Amounts Certified - 1962	87,122.45	138,756.13	117,313.36	343,191.98
	Amounts Appropriated	9,450.00	15,500.00	13,125.00	38,075.00
	Percent of Certification	10.84	11.17	11.18	11.09
1965	Amounts Certified - 1963	88,147.08	153,270.76	100,556.26	341,974.10
	Amounts Appropriated	9,823.00	17,058.00	13,125.00	40,006.00
	Percent of Certification	11.14	11.13	13.05	11.70

EXHIBIT E
(Cont'd)

Fiscal Year		Boro. of Alpine	Boro. of Englewood Cliffs	Boro. of Fort Lee	Total
1966	Amounts Certified - 1964	118,346.87	279,463.18	114,729.97	512,540.02
	Amounts Appropriated	10,805.00	18,764.00	14,438.00	44,007.00
	Percent of Certification	9.13	6.71	12.58	8.59
1967	Amounts Certified - 1965	889,200.03	324,264.12	323,273.69	1,536,737.84
	Amounts Appropriated	12,300.00	19,000.00	14,700.00	46,000.00
	Percent of Certification	1.38	5.86	4.55	2.99

EXHIBIT F

Payments to Municipalities for Tax Losses because of Round Valley and Spruce Run Reservation Acquisitions under R.S. 58:20-5 and 58:21-6.

	Total Amount Paid	Amount Due (Land and Improvements)	Clinton Twp. Amount Pd.	Clinton Twp. Amount Due	Union Twp. Amount Pd.	Union Twp. Amount Due	Lebanon Twp. Amount Pd.	Lebanon Twp. Amount Due	Lebanon Boro. Amount Pd.	Lebanon Boro. Amount Due
957	17,014.28	17,014.28	16,786.48	16,786.48	0.00	0.00	0.00	0.00	227.80	227.80
958	21,038.99	21,515.73	20,704.18	21,180.92	61.53	61.53	0.00	0.00	273.28	273.28
959	33,002.86	34,106.96	19,825.48	20,928.36	10,832.31	10,833.53	2,087.41	2,087.41	257.66	257.66
960	38,634.84	40,622.83	20,787.62	22,541.77	15,527.54	15,745.52	2,077.63	2,093.49	242.05	242.05
961	39,218.87	42,173.20	22,231.87	24,720.87	14,860.39	15,294.92	1,900.18	1,930.98	226.43	226.43
962	35,359.40	39,605.85	20,028.80	23,347.61	13,394.77	14,278.95	1,725.01	1,768.47	210.82	210.82
963	31,644.80	37,098.05	17,881.45	22,033.92	12,039.71	13,262.98	1,538.92	1,605.95	184.72	195.20
964	27,538.37	34,377.83	15,515.94	20,507.79	10,653.08	12,247.01	1,359.35	1,443.45	179.58	179.58
965	31,654.93	31,654.93	18,978.97	18,978.97	11,231.05	11,231.05	1,280.94	1,280.94	163.97	163.97
966	28,935.07	28,935.07	17,453.23	17,453.23	10,215.07	10,215.07	1,118.42	1,118.42	148.35	148.35
967		26,215.24		15,927.48		9,199.11		955.91		132.74
als	304,032.41	353,319.97	190,194.02	224,407.40	98,815.45	112,369.67	13,078.86	14,285.02	2,114.66	2,257.88

NOTE: There is a difference between the amounts paid and amounts due between 1958-64 because payments for land improvements as provided by law were not included. The oversight was corrected in 1965 and payments for this difference were made in 1966.

only copy!

MEMORANDUM

November 13, 1962

TO: Arlo Brown, Chairman, L.U.C.

FROM: Howard J. Wolf, Secretary, L.U.C.

SUBJECT: Reprint of Statement On The Legislative History, Proposals, and Recommended Departmental Policy Regarding Payments In Lieu Of Taxes

EXISTING LEGISLATION

To date various pieces of legislation are in effect concerned with payments in lieu of taxes. In a summary of legislation prepared by the Division of Taxation, Treasury Department, the following can be noted:

1. Under N.J.S.A. 54:4A-4,5 (c.73, L. 1947) any municipality in which lands owned by the Palisades Interstate Park Commission exceeds 10% of the total area of the municipality may be reimbursed by the State for the amount of tax revenue which it would have received for local purposes from such land if it had not been owned by the Commission. This act was effective April 21, 1947 and was applicable for the first time in the State's fiscal year ending June 30, 1949. The Borough of Alpine, Englewood Cliffs and Fort Lee have received reimbursement under this statute.

2. Under R.S. 54:4-2.1, as amended by c.151, L.1944, state-owned land used or to be used for state purposes, other than riparian lands, state forests, state parks, or lands held for highways, bridge or tunnel purposes, are taxes in the municipalities where situated, for local and school purposes, unless the aggregate area of such lands is less than 9% of the total area of the municipality after deducting so much thereof as is exempt from taxation as aforesaid. Under this act, the municipality furnishes a tax bill to the State, the same way as to any other taxpayer, which after approval by the State Comptroller, is directed to be paid by the State Treasurer on or before June 1 of the year following the year in which such bills are payable by individual property owners. Where taxable, the lands are to be valued at the assessed valuation thereon at the time of acquisition by the State. Sandyston Township, Sussex County has received reimbursement to this statute.

3. R.S. 54:4-5, as amended (c.295, L. 1952; N.J.S.A. 54:4-5) provides that in counties in the first class, a portion of the county tax is rebated to a taxing district in which there is a state or county institution occupying in excess of a specified number of acres. Under this act, Cedar Grove Township, Essex County has received a rebate of 1/2 of the county tax and Secaucus, Hudson County has received a rebate of 3/4 of the county tax.

4. Round Valley - N.J.S.A. 58:20-5 Spruce Run Reservation - N.J.S.A. 58:21-6. Both of these statutes provide reimbursement for tax loss to municipalities based upon a sum equal to that last paid as taxes upon land for the taxable year prior to acquisition plus reimbursement for improvements over a period of 13 years on a percentage basis. Both statutes also provide for reimbursement to the State out of proceeds received from the sale of water.

5. Under R.S. 13:1-22 payments are required to be made to the Treasurer of each municipality in which lands acquired by the Department of Conservation and Economic Development for any of the purposes enumerated in Section 13:1-18 are held, and in which municipality the area of such lands exceeds 10 acres, 10¢ per acre for each acre of land so held in such municipality, which payment shall be made on the order of the Department from appropriations made to the Department for such purposes. Municipalities in which the Wharton Tract is located are receiving payments under this act.

6. The following acts provide for voluntary agreements to be entered into between the Authority or Agency and the affected municipalities.

The Port of New York Authority - R.S. 32:1-144
Air Terminals - N.J.S.A. 32:1-35.5
Delaware River Joint Commission - R.S. 32:3-12

The last named statute authorized the Commission "to enter into a voluntary agreement or agreements with any municipality, whereby it will undertake to pay a fair and reasonable sum or sums to compensate the said municipality for any loss of tax revenue in connection with any property acquired by the Commission after 1950 other than property acquired for bridge, tunnel, or passenger transportation purposes. Payments may not exceed the amount of taxes upon the property when last assessed prior to the time of its acquisition by the Commission.

7. The following acts exempt property and make no provision for loss reimbursements nor for voluntary agreements for tax loss:

N.J.Highway Authority Act - N.J.S.A.27:12B-16
N.J.Turnpike Authority Act - N.J.S.A. 27:23-12
New York Port Authority - R.S. 32:1-33 (but see also R.S.32:1-144).
Arthur Kills Bridges - R.S. 32:1-66
George Washington Bridge - R.S. 32:1-113
Gloucester Tunnel - R.S. 32:13A-3
Delaware - New Jersey Crossing - R.S. 32:113-6

To date the above summary represents New Jersey legislation as far as payments in lieu of taxes are concerned.

LAND USE COMMITTEE RECOMMENDATIONS

In the fall of 1959, the Land Use Committee prepared a policy statement on in lieu tax payments. The Committee found that all programs, projects, or facilities that presently require State ownership of lands are considered to be essential and in the public interest. The justification expressed for such State ownership clearly show that the public interest is paramount.

Although the principle that the taxation of property shall in some way provide a benefit to the property so taxes is clearly supported in the theory of property taxation, it is fully recognized that many municipalities in New Jersey do tax land without providing anything in the way of services to that property.

The State fully realizes that any land acquired by the State does result in a loss of revenue to the municipalities by the mere fact that the land comes off the tax roll. It matters not whether the land taken is intended for governmental or proprietary purposes - the crux of the problem is that it is a dollars and cents loss to the community. This loss is the primary concern of the State in the matter of in lieu tax payments. It is felt that the State is responsible for helping affected municipalities adjust to such losses by making provisions for State in lieu tax payments to communities so affected.

It was recommended by the Land Use Committee that:

> "(a) When new lands are acquired by the State of New Jersey, the State considers itself liable for payment of in lieu taxes to the affected municipality or municipalities irrespective of intended State use of the lands acquired and at the standard local assessment rate. This guarantees adjustment on all lands taken for State uses and recognizes the immediate necessity of compensating for tax losses. On presently owned State lands such payments shall continue to be made only where the law now provides. The present laws, likewise, shall be amended so that they become adjustment provisions rather than flat rate perpetual arrangements.
>
> (b) Where a marketable product results from the use of state lands, the state considers these lands in proprietary use to that extent and shall, therefore, from revenues thus realized, make in lieu tax payments to those municipalities affected thereby.
>
> (c) Quarters, residences, or commercial enterprises maintained by the State shall be assessed at worth, which is to be determined by the local and state assessor, and in lieu payments made on that basis."

Concerning (a) above, it was the feeling of the Committee and incorporated into their recommendation with regard to lands as they are acquired by the State and taken off tax rolls, with the resultant loss to the municipalities or townships involved, that the State should make arrangements for payments to assist them in the "shock" period which develops, by downgrading in lieu payments percentage-wise over a period of years, to a point where no further payments would be made - thus the municipalities have been given a period of adjustment to the loss.

GREEN ACRES PROPOSALS

In the fall of 1960 the Land Use Committee of the Department of Conservation and Economic Development incorporated payments in lieu of taxes into the original drafts of the Green Acres land acquisition legislation.

The provisions were:

Section 14 - Agreements with former owners

(a) The Commissioner may make agreements with respect to any lands acquired pursuant to this act whereby such lands may continue to be occupied and used by the former owners or tenants for a specified period from the date of acquisition of such lands, provided that during the period of such occupancy such lands shall remain on the assessment rolls of the municipality, school district and other districts in which they are located and shall be subject to real estate taxes and assessments in the same manner as privately owned lands.

(b) The right of the former owner to occupy and use such lands shall be conditioned on the prompt payment of the full amount of such taxes and assessment with interest and penalties, if any.

(c) The State shall not be liable for real estate taxes or assessments on such lands during such a period.

(d) The State and the several counties shall make payments in accordance with this act, of payments in lieu of taxes to municipalities in which lands are acquired for a period of ten years. The first payment shall equal the taxes on the land as of the year of acquisition and subsequent payments shall progressively be reduced to zero in the 10 year period; the State Treasurer is hereby authorized to include these payments in lieu of taxes as part of the acquisition costs of these lands.

However, the above chapter was deleted from the final legislation waiting for some standard policy to be established.

PRESENT STATUS

Also in the fall of 1960, the Land Use Committee requested the Division of Taxation of the Treasury Department to review and study the policy of in lieu tax payments. In January, 1961, a reply was received stating that the Division of Taxation was unable to undertake a study of reimbursement for tax loss in connection with state-owned lands and suggested that a study and standardization of policy be undertaken by some other agency.

In January, 1961, the Land Use Committee feeling that its original thinking in regard to payments in lieu of taxes still would hold, requested that the situation be reviewed by the Tax Policy Commission.

To this date, the policy regarding payments in lieu of taxes is being studied by the Tax Policy Commission. The Tax Policy Commission was established and finds its duties in Chapter 157, Laws of 1945, as amended by Chapter 6, Laws of 1949, to be as follows:

"A Commission on State Tax Policy is created which shall consist of seven members, one of whom shall be a member of the Senate to be appointed by the President of the Senate, one a member of the General Assembly to be appointed by the Speaker thereof, and five citizens of this State to be appointed by the Governor."

"The Commission shall engage in continuous study of the State and local tax structure and related fiscal problems, with particular attention to (a) all laws relating to the assessment and collection of taxes in this State; (b) all proposals for change in such laws; and (c) the impact of Federal tax laws on the State financial structure."

"The Commission shall determine the respects in which the existing tax laws may be cimplified, modified, rearranged, consolidated, and revised to insure greater efficiency in the assessment and collection of all taxes."

"The Commission shall report annually on the second Tuesday in January to the Governor and the Legislature, setting forth the results of its studies of the preceeding year and shall make such recommendations, as it shall deem fit, for changes in our laws relating to the assessment and collection of taxes and for sound and equitable methods of supporting the public services."

HJW/rs

October 1961

AMENDMENT II - STATEMENT ON PAYMENT

IN LIEU OF TAXES

6. Assembly Bill No. 25 introduced January 14, 1963 provided mandatory provisions under which the Delaware River Port Authority is to enter into agreements with effected municipalities to properly compensate them for loss of tax revenues. It has deleted the voluntary provisions heretofor permitted.

Walter Wechsler — Deputy Director

Budget and Accounting

Edward G. Hofgesang — Administrative Analyst I

Budget

Summary - Payments In Lieu of Taxes and Related Amounts — March 18, 1965

A. Current Status - New Jersey

1. The 1965 Appropriation Act, at the end of Account 451-400, Public Shooting and Fishing Ground, provides:

   There are hereby appropriated the funds in the Public Shooting and Fishing Ground Fund in excess of the amounts hereinabove specifically set forth for additional costs of operation and for 50% of the amounts payable pursuant to R.S. 54:4-2.1, the allotment of which shall be subject to the approval of the Director of the Division of Budget and Accounting and the Legislative Budget and Finance Director.

   a. 1964 - Pursuant to R.S. 54:4-2.1 and as authorized by appropriation Language (50% of amounts payable):

Corbin City	$ 187.83
Commercial Twp.	1,210.60
Lower Alloways Creek Twp.	1,294.23

   b. 1963 - Supplemental Appropriation for "Claims"

Corbin City	$ 186
Maurice River Twp.	3,387
Hardyston Twp.	105
Lower Alloways Creek Twp.	1,875
Sandyston Twp.	1,500

2. Under R.S. 13:1-22, the 1965 Appropriation Act provides $18,500 in Account 420-100-390, Division of Resource Development, for various municipalities. Attached Exhibit A lists such payments in 1963 and 1964.

3. Under R.S. 54:4-2.1, Ewing Twp. will receive under the 1965 Appropriation Act the following amounts (either based upon 50% of the tax bill received or estimate of 50% of amount required) and did receive the amounts listed for 1963 and 1964.

		1965	1964	1963
a.	Trenton State College, 555-100-390	$1,996	$3,445	$1,996
b.	State School for the Deaf, 560-100-390	400	445	373
c.	State Home for Girls, Trenton, 741-100-390	383	383	311
d.	State Hospital, Trenton, 779-100-390	3,200	3,334	2,708

4. The 1965 Appropriation Act makes available $40,000 to the City of Trenton in Account 230-100-390, Division of Purchase and Property--General. In 1964, Trenton received $20,000.

5. The following amounts were made available from the Rutgers Account, Taxes and Municipal Services. Attached Exhibit B lists such payments in 1963 and 1964.

		1965	1964*	1963*
a. 570-100,	General University	$190,000	$249,459	$240,735
b. 571-100,	Douglass College	16,000		

* From regular and special funds. Does not include utility charges which are billed separately.

6. Based upon R.S. 54:4A-4,5, the 1965 Supplemental Appropriation includes $40,006 as a "claim" in Account 811-100, Palisades Interstate Park Commission, for three municipalities. The following amounts were paid in 1963 and 1964.

	1963	1964
Boro of Alpine	9,450	9,823
Boro of Englewood Cliffs	15,500	17,058
Boro of Fort Lee	13,125	13,125

7. Round Valley - N.J.S.A. 58:20-5 Spruce Run Reservation - N.J.S.A. 58:21-6. Both of these statutes provide reimbursement for tax loss to municipalities based upon a sum equal to that last paid as taxes upon land for the taxable year prior to acquisition plus reimbursement for improvements over a period of 13 years on a decreasing percentage basis.

B. Pertinent Excerpts From File Data

1. Report of the Committee on Government Operations, Payments In Lieu of Taxes, 86th Congress, Senate, S910, Government Printing Office, 1959.

"At the hearings, a representative of the Bureau of the Budget stated, in effect, that the administration was fully aware that largescale Federal acquisition of real property, and Federal tax immunity may, and often does, result in serious financial hardships to local governments. However, the presence of Federal installations often result in benefits to a community which more than offset the burdens. Furthermore, care must be taken to preserve the traditional Federal immunity from local taxation. Accordingly, the solution was not to inaugurate a broad system of payments in lieu of taxes, which might involve the expenditure of huge sums of money, but rather to seek an accommodation which would lessen the severity of the Federal tax immunity, while avoiding a major breach of existing immunities and incorporating adequate safeguards against unnecessary or excessive Federal payments.

It was the position of the administration that the basic principle of an appropriate system must be that in a particular taxing jurisdiction, there is a demonstrable hardship caused by the recent removal of Federal properties from the tax rolls, and that the hardship is of such depth and importance that special Federal financial assistance is warranted."

2. Maurice H. Stans, Director, Bureau of the Budget, Washington, D. C., 1959. Letter to Chairman, Government Operations Committee.

"This entire field of study is one characterized by diverse and conflicting considerations with complications frequently difficult to appraise. It seems to have become one of the most sensitive areas of intergovernmental fiscql relations."

3. American Municipal Association, 1959 National Municipal Policy Statement, Payments in Lieu of Taxes

"The presence of tax-exempt Federal property creates a greater burden on some communities than on others. In some instances Federal installations make economic contributions which offset in part the loss of direct tax revenue through such mediums as local sales taxes, satellite business establishments, and accompanying community growth. There are other situations where there are no ameloriating factors of significane, and the net effect upon the community is clearly a depressing one."

4. Report of the Committee to Study the Impact of State Sovereignty Upon Financing of Local Governmental Services and Functions, North Carolina General Assembly, 1963.

a. Conclusions

(1) State employment and the activities of State agencies unquestionably result in tangible benefits to local communities. To the labor force, to the business community, and to the community at large, the benefits are as great or, in some cases, greater than the benefits brought by a new industry.

(2) Local government has lived up to the highest traditions of the state in providing local governmental services to State institutions and employees without, in most cases, any promise or hope of reimbursement. While it has proved impossible to place any specific cost figures on these services, it is clear that municipal and county expenditures are affected by local obligations to State agencies. Furthermore, It is clear that in those cities and counties where the proportion of State employment is high, or the size and consumption capacity of State institutions is large, the impact on local governmental costs is heavy.

(3) The question is not whether there is a burden imposed on one or more communities as much as whether there is an obligation on the part of the State to share in the costs generated by State activities. For example, viewed from the point of view of the entire community, the over-all benefits from the location of a State agency may balance or outweigh the additional costs imposed. On the other hand, the system of local governmental finance makes it impossible to balance benefits and costs as they are experienced by many individuals in the community. Very often the property taxpayer may derive no benefit from the presence of the State agency and yet have to bear the full impact of the added costs. On the other hand, individuals who benefit may have to bear none of the added costs. It is this inequity which we believe should be corrected.

(4) This conclusion in favor of fairness to individuals is consistent with the State's policy toward new industry. The State and its localities seek new industry, for the benefits are well recognized. There is also a clear recognition that new industry generates costs toward whose payment it should contribute, and therefore the State has consistently adopted a policy frowning on tax exemption as an inducement to new industry.

(5) The present system of meeting on an ad hoc basis urgent local needs for assistance in providing local services to State agencies should be discontinued.

(6) If the State is to share in meeting the costs resulting from State acitivities, it should share on a uniform, statewide basis. Furthermore, any system for sharing should be based on apyments-in-lieu of taxes rather than reimbursement of governmental units for specific costs incurred. For this reason payments should be made on the basis of all State-owned property and not on the basis of a judgment that a greater burden is imposed in some cities and counties than in others.

(7) No precise formula for estimating appropriate State contributions toward local governmental costs can be formulated, but no basis for assistance should result in an unfair windfall to local communities. Basing the payments on the full value of State property and the full applicable tax rates in cities and counties would, in many cases, result in payments in excess of probable costs generated and payments that do not take into account the indirect effect on the local tax base of the economic benefits conferred by the presence of a State agency.

b. Recommendations

(1) Each county should receive annually a payment of $.10 an acre for all State-owned acreage, except for highway rights of way, which lies within the county but outside of municipal boundaries, and for which no other types of payment is made by the State or its agencies.

(2) Cities, and the counties in which they are located, should receive annually acreage payments for State-owned acreage, except for highway rights of way, within municipal boundaries. The rate of payment for acreage within municipal boundaries should vary according to the population of the city as reported in the most recent Census, and as indicated in the following schedule:

Population Class	Payment per Acre
Under 5,000	$2.00
5,000 to 10,000	3.00
10,000 to 20,000	4.00
20,000 to 40,000	5.00
40,000 to 80,000	6.00
Over 80,000	7.00

(3) Each city and county should receive annually payments of $.10 for each $100.00 of value of State-owned buildings and contents within its boundaries, the value to be that determined by the State Property Fire Insurance Fund for insurance purposes.

(4) July 1 of each year should be the date for determining the amount of State-owned acreage and the value of State-owned buildings and contents. Payments to counties and cities of the state should be made not later than December 1 of each year, based on acreage and values as of the previous July 1. Responsibility for determining the payment due each city and county and for making the payments should be vested in the Department of Administration.

(5) The payments herein recommended are not intended as compensation for the provision to the State or its agencies of water, sewerage, gas, electric, or refuse collection and disposal services by any city or county government.

The level of payments here recommended reflects our judgment as to the general level of costs which the State creates and which it should meet.

While we do not think that the level of in-lieu payments should be equal to sums which would be produced were State-owned property subject to taxation, we do think that the value of State-owned property affords a reasonable measure of costs created. The formula we recommend is based on approximate values, but avoids the need for expensive and difficult valuation of all State properties.

"We recommend that the State adopt a policy of participating in local special assessment programs when State-owned property abuts local improvements and when there is either an immediate or foreseeable benefit to the State property. Furthermore, we recommend that avenues be established through which a top-level decision on State participation may be initiated by local governments as well as by the State or any of its agencies."

The five recommendations listed above provide ideas as to how one state resolved this problem. However, I believe these recommendations, would be of limited applicability to New Jersey.

C. See Attached, "Location of State-Owned Land Where 9% or More of Total Area of Municipality", January, 1962.

1. Under the authorization indicated in A. 1. above, note that only three municipalities filed for such "tax in lieu" payments in 1964. Twelve other municipalities are eligible.

2. Ewing Twp. is apparently the only municipality requesting "tax in lieu" payments for State property which is not under the jurisdiction of the Division of Fish and Game. In addition, twelve municipalities appear to be eligible for such payments. (Some of these municipalities are also eligible under C. 1. above.)

D. A January, 1964, report of the Division of State and Regional Planning reports a grand total of 315,425.1 acres of State-owned real property (all types)--6.56% of total county land areas.

In our January, 1962, report the total State-owned acreage under R.S. 54:4-2.1 was 107,160.47 acres. At this time, the State's financial obligation under R.S. 54:4-2.1 was estimated at $77,550.

EGH/djn

EXHIBIT A

FORESTS	ACRES	AMOUNT
Bass River	8,418	84.82
Belleplain	6,588	658.80
Green Bank	1,833	183.30
Jenny Jump	915	91.47
Lebanon	22,185	2,218.50
Norvin Green	2,260	225.96
Penn	3,318	331.80
Stokes	12,857	1,285.70
Jackson	43	4.30
A.S. Hewitt	1,890	189.00
Wharton	95,634	9,563.38
Worthingtoh	5,711	571.10
TOTALS - FORESTS	161,652	16,165.13

PARKS	ACRES	AMOUNT
Allaire	1,278	127.76
Cape May Point	133	13.29
Cheesequake	918	91.80
Greenwood Lake	227	22.72
Edison	30	3.02
Fort Mott	104	10.36
Hackelbury	194	19.35
Hopatcong	108	10.75
Cranbury	199	19.90
Musconetoong	343	34.30
Monmouth Battlefield	563	56.27
Parvin	1,117	111.70
Princeton Battlefield	40	4.01
Ringwood	579	57.93
Stephens	222	22.20
Saxon Falls	9	.93
Swartsworth	704	70.40
Voorhees	437	43.73
Wash. Crossing	447	44.70
Washington Rock	27	2.70
Farney	803	80.30
Mt. Laurel	20	1.96
Barnegat	12	1.25
Island Beach	2,695	269.50
Wanayanda	4,013	401.27
High Point	11,252	1,125.16
Palisades	350	35.00
Ocean Crest	356	35.56
Sandy Hook	10	1.01
Shepards Lake	541	54.10
TOTAL - PARKS	27,731	$2,772.93

Forests	161,652	16,165.13
Parks	27,731	2,772.93
	189,383	18,938.06

EXHIBIT B

	1963	1964
Piscatataway	$ 61,479.38	$106,659.51
Camden	3,163.68	2,359.62
Highland Park	4,118.32	10,083.62
Twp. Howell	910.24	--
Freehold	1,508.64	--
New Brunswick	55,099.24	10,569.23
Newark	4,646.50	14,280.13
Boro. Kinnellow	4,016.14	--
Twp. Mine Hill	792.28	521.30
	135,734.92	144,473.51
Municipal Services	105,000.00	105,000.00
Total	$240,734.92	$249,473.51

General Expense - Taxes	$115,510.46	$ 85,806.22
Various Funds	12,146.73	521.30
Physical Plant	--	971.25
Aux. Services	8,077.73	57,174.74
General Expenses - Mun. Services	105,000.00	105,000.00
	$240,734.92	$249,473.51

M E M O R A N D U M

TO: HONORABLE S. HOWARD WOODSON, Chairman
Commission to Study State Payments in Lieu of Taxes

SUBJECT: What other states do in the area of taxation of state lands and payments in lieu of taxes.

Pursuant to your request for information on what the other states are doing in the area of state payments in lieu of local propert taxes on public property, I have ascertained the following:

1. Despite the importance of this subject to all the states and their respective political subdivisions, it appears that only two states have undertaken studies on taxation of state-owned land by local taxing districts and payments in lieu of taxes in the last 10 years.

2. The most recent report, The Taxation of State-Owned Property under the General Property Tax in the Several States with Special Reference to Wisconsin, was issued by the Wisconsin Legislative Reference Library (Informational Bulletin 213, April 1962). This report is based on the responses to a questionnaire concerning taxation of state-owned lands submitted to every state in the Union in September 1961, and it provides a basic source of information on what the other states are doing in this area.

3. Using the Wisconsin report as a guide, I have surveyed those states which had exceptions to their general property tax exemptions on state-owned lands, or which made payments in lieu of taxes on exempt state-owned land, and I have ascertained that the

situation from 1961 to present is as follows:

a. Connecticut - The general provision for grants in lieu of taxes on state-owned property (section 12-19, General Statutes of Connecticut) has remained essentially the same. In a number of subsequent sections (sections 12-20 thru 24) the general provision has been declared inoperable, either totally or partially, for state-owned lands in certain municipalities, and special methods of assessment or specific payments in lieu of taxes have been provided. Since 1961, the amounts paid to these municipalities have been raised on several occasions by amendments to these sections.

b. Hawaii - The major concern of the State of Hawaii in this area has been the taxation of leaseholds on exempt public property (Section 128-22 Revised Laws of Hawaii). Aside from technical changes and the exemption from taxation of public lands used solely for residential purposes by a tenant on a month-to-month basis, this section remains basically the same.

c. Iowa - There appears to have been no change in the sections of the Iowa Code which provide for reimbursement of school districts for loss of taxes from certain exempt public lands since 1961 (Chapter 284.1 through 284.7).

d. Massachusetts - Since 1961, the sections of the Massachusetts General Laws providing for reimbursement for loss of taxes on land used for public institutions (Chapter 58 sections 13 thru 173) have been amended as follows:

1) section 13 - amended St. 1960, c. 593 §1 to include lands owned and used by the University of Massachusetts among lands for which reimbursement is made.

2) section 15A - amended St. 1963, c. 584 §3 to include "land under the care and control of the division of fisheries and game and used as a game preserve or wildlife sanctuary and which was at the time of its acquisition by the commonwealth under the care and control of the federal government" among the lands for which reimbursement is made.

e. Michigan - Michigan statutes providing for payments in lieu of taxes on conservation land have not been changed since 1961.

f. Minnesota - Minnesota Statutes creating a liability for property taxes on some types of state-owned property as indicated in the Wisconsin report have not been changed.

g. New Hampshire - The Wisconsin report indicated that "while no state property is liable for the general property tax, the state makes some in lieu payments." Some of the provisions for such payments in the New Hampshire Revised Statutes are as follows:

1) section 481-14 - provides for payments in lieu of taxes by the New Hampshire Water Resources Board."

2) section 219:32,33 - authorizes municipalities to apply for payments in lieu of taxes on national and state forest lands.

3) section 122.4 - provides for reimbursement to cities and towns by the state for any real estate interest acquired by the federal government (this section seems to be directed at flood control projects).

4) section 162-D:7 - provides that lessees, sublessees or occupants of industrial facilities owned by the State shall make payments in lieu of taxes.

h. New York - (New York will be treated separately below)

i. Ohio - section 1531.27 of the Ohio Revised Code which provides for state payments to counties for public hunting and game preserve lands has not been changed since 1961.

j. Oregon - Those sections of the Oregon Revised Statutes which establish exceptions to the general property tax exemption for state lands (sections 307.100, 307.110 and 496-340) have remained essentially the same.

k. South Carolina - The sections of the Code of Laws of South Carolina which provide for payments in lieu of taxes by certain public authorities (sections 59-8 and 59-102) have remained the same.

l. Texas - The sections of the Texas Statutes which establish exceptions to the general property tax exemption for state lands (article 7150, section 4 and article 7150c) have not been changed. The Wisconsin report, however, did not mention article 7150 section 4 a which provides for payments in lieu of taxes on properties of districts and authorities created by the legislature where the properties were on the rolls of any subdivision at the time of acquisition and are used for the generation, transmission and distribution of electricity.

m. Vermont - There appears to have been no substantial change in the Vermont Statutes providing exceptions to the general property tax exemption for state lands (Title 32 sections 3610, 3614, 3615, 3656, 3657, 3832 and 3833).

n. Wyoming - No substantial change has been made in the section of the Wyoming Statutes which outlines the state properties exempted from taxation (section 39-7).

o. Wisconsin - The situation in Wisconsin is understandably covered in depth in the report. The only major change that appears to have been made in the Wisconsin Statutes since the report is the addition of section 70:118. This section requires the conservation commission to pay for municipally-owned public utility services and for other municipal services, including police and fire protection under negotiated agreements with municipalities.

4. The only other state study which I have been able to find emanated from New York. In 1959, a <u>Report of the Joint Legislative Committee to Study assessments and Taxation of State Lands</u> was issued. This study is a good complement to the Wisconsin report in that it considers the whole problem of taxation of state lands and payments in lieu of taxes, whereas the Wisconsin report indicates the varied approaches of the several states.

A survey of New York Statutes since 1959 indicates that few, if any, of the proposals by the Joint Legislative Committee were enacted. One section of New York Statutes pertaining to this area has been completely revised and a new section has been added. Chapter 49a section 545 provides a formula for state aid through transitional assessments to municipalities whose total taxable assessed valuation would be reduced by more than 2% because of exempt state lands. Section 546 provides for state aid to municipalities whose total tax assessed valuation is decreased by 10% or more because of acquisitions by public utility companies on a decreasing percentage basis.

5. I am enclosing copies of the two reports cited above and also copies of sections 70:118 of the West's Wisconsin Statutes, and sections 545 and 546 of Chapter 49a of McKinney's Consolidated Laws of New York. These laws seem to be the only significant steps taken by other states in this area since 1959.

THE TAXATION OF STATE-OWNED PROPERTY UNDER THE GENERAL PROPERTY TAX IN THE SEVERAL STATES WITH SPECIAL REFERENCE TO WISCONSIN

Table of Contents

THE TAXATION OF STATE-OWNED PROPERTY UNDER THE GENERAL PROPERTY TAX IN THE SEVERAL STATES WITH SPECIAL REFERENCE TO WISCONSIN

I. INTRODUCTION

The gradual dimunition of the property tax base by exemptions in the face of continuing heavy dependence upon this source of revenue for local government has resulted in efforts to stem the tide or to look for a device to counteract its adverse effect on the finances of the locality. In our state several unsuccessful attempts have been made to develop a special technique to review proposals for additional exemptions to determine their effect upon the tax base and to make the Legislature specifically aware of these effects before such proposals are considered. This plan would work in much the same way that proposals affecting the pension systems are reviewed. In addition, the principle that certain types of property should be exempt from the general property tax has been amended to permit the payment of property taxes at certain levels of government or to provide for payments in lieu of taxes.

The current $50,000,000 recreation expansion program which contemplates the acquisition of land for state parks and fish and game refuges, the forest crop land program which has removed almost 3 million acres of land from the tax base, the swath of land across the state acquired for the I system are but a few illustrations of the current situations which accentuate the persistent problem of tax base depletion. These developments accentuate a problem of particular significance to certain sections of the state where the continued operation of the traditional governmental services by a multitude of units of local government has been a precarious financial undertaking for years. Many fixed charges have continued, in fact increased, in spite of the fact that the tax base has been continually and seriously depleted. It is unfortunately true that while efforts to stem the tide have been made, and new sources of revenue have been sought, little effort has been made to evaluate the necessity for the pattern of local government which depends so heavily on the general property tax. Few people have seriously considered the question of whether we can afford to maintain towns with less than a hundred people or counties with fewer than 10,000 population.

At the turn of the century $19,376,442 of the total of $21,562,186 raised by taxes by all units of government in the state of Wisconsin came from the general property tax. In 1961, just 60 years later, only 50 per cent of the $952,273,452 raised by taxes came from this source. In the meantime an elaborate system of state aids and shared taxes developed whereby the state sought to take some of the burden from the property tax. But all of these efforts have not succeeded in eliminating the complaint that the general property tax is burdensome.

The other alternative, to reduce the costs of government, which has been proposed by many in vague and general terms, has never been successfully implemented.

It is in this frame of reference that we approach the problem of what the states do about the taxation of state-owned property under the general property tax.

II. THE EXTENT TO WHICH STATE-OWNED PROPERTY IS TAXED UNDER THE GENERAL PROPERTY TAX IN THE SEVERAL STATES

As the result of a questionnaire which was submitted to, and returned by, every state in the Union in September 1961 we learned the following facts about the taxation of state-owned property:

1. In every state in the Union state-owned property is exempt from the general property tax.

2. In 26 states this exemption is contained in the Constitution. These exemptions may be categorical in nature in which they are specifically spelled out; they may be contained in a broad exemption of all public property or they result from simply granting the Legislature the authority to enumerate what shall be taxed or what shall be exempt.

3. In 23 states the exemptions are statutory.

4. In 15 states the exemption is not absolute. The Constitution or statutes provide that some types of property shall be liable for taxes at one or more levels of government or for one or more purposes.

5. In 2 of the 15 states which permit the taxation of, or in lieu payments on, some state property, the provisions exempting state property are constitutional. This is possible because the Constitution either makes the exemptions permissive or the exemption clause specifically incorporates an exception to the exemption as in the case of South Dakota.

6. In the remaining 13 states exceptions from the statutory exemptions of state property are made by statute.

7. In 12 states including 10 of those in which there are exclusions from the exemptions the state makes in lieu payments for one or more levels of government for one or more purposes instead of paying taxes.

8. States which permit the taxation of, or in lieu payments on, certain types of state-owned property are located in every part of the nation from Vermont and Connecticut to Oregon and Wyoming and from Wisconsin, Minnesota and Michigan to Florida and Texas.

9. The exceptions to the exemption from taxation involve such property as:

   a. Specific types of property, generally land, held by such agencies as the Conservation Department, State University and state corporations.

   b. Lands owned by the state, but leased to a private person for a profit purpose.

   c. Lands or all realty for specific purposes such as schools, town government, etc.

10. The payments made by the state fall into at least 3 categories:

a. Payments equal to what the taxes would be if the property were in private ownership.

b. Payments equal to what the taxes were when the state acquired the property or payments based on the valuation of the property when the state acquired it.

c. Payments where the absence of a payment would cause an undue hardship measured, for example, by the average amount of state-owned property in the district.

Table 1. Data on Exemption of State-owned Property from the General Property Tax Obtained from a Questionnaire.

State	Is state-owned property exempt from the general property tax?	Is the exemption constitutional or statutory?	Are there any exceptions to the exemptions?	What are they?	Does the state make any in lieu payments on any property exempt from the general property tax?
Ala.	Yes	Stat.	No	---	No
Alaska	Yes	---	---	---	---
Ariz.	Yes	Const.	No	---	No
Ark.	Yes	Const.	No	---	No
Calif.	Yes	Const.	No	---	No
Colo.	Yes	Const.	No	---	No
Conn.	Yes	Stat.	No	---	Yes
Del.	Yes	Stat.	No	---	No
Fla.	Yes	Stat.	No	---	Yes
Ga.	Yes	Const.	No	---	No
Hawaii	Yes	Stat.	Yes	(1)	No
Idaho	Yes	Stat.&Const.	No	---	No
Ill.	Yes	Const.	No	---	No
Ind.	Yes	Stat.	No	---	No
Iowa	Yes	Stat.	Yes	(2)	No
Kans.	Yes	Stat.&Const.	No	---	No
Ky.	Yes	Const.	No	---	No
La.	Yes	Const.	No	---	No
Maine	Yes	Stat.	No	---	No
Md.	Yes	Const.	No	---	No
Mass.	Yes	Stat.	Yes	(3)	Yes(4)
Mich.	Yes	Const.	Yes	(5)	Yes(6)
Minn.	Yes	Stat.&Const.	Yes	(7)	Yes
Miss.	Yes	Stat.	No	---	No
Mo.	Yes	Const.	No	---	No

Table 1. Data on Exemption of State-owned Property from the General Property Tax Obtained from a Questionnaire.--Continued

State	Is state-owned property exempt from the general property tax?	Is the exemption constitutional or statutory?	Are there any exceptions to the exemptions?	What are they?	Does the state make any in lieu payments on any property exempt from the general property tax?
Mont.	Yes	Const.	No	---	No
Nebr.	Yes	Const.	No	---	No
Nev.	Yes	Const.	No	---	No
N.H.	Yes	Stat.	No	---	Yes
N.J.	Yes	Stat.(8)	Yes	(9)	Yes(9)
N.Mex.	Yes	Const.	No	---	No
N.Y.	Yes	Stat.	Yes	(10)	Yes(11)
N.C.	Yes	Stat.&Const.(12)	No	---	No
N.Dak.	Yes	Const.	No	---	No
Ohio	Yes	Stat.	Yes	(13)	Yes(14)
Okla.	Yes	Const.	No	---	No
Oreg.	Yes	Stat.	Yes	(15)	Yes(16)
Pa.	Yes	Stat.(17)	No	---	No
R.I.	Yes	Stat.	No	---	No
S.C.	Yes	Stat.	Yes	(18)	Yes
S.Dak.	Yes	Const.	Yes	(19)	Yes
Tenn.	Yes	Stat.	No	---	No
Texas	Yes	Stat.	Yes	(20)	No
Utah	Yes	Const.	No	---	No
Vt.	Yes	Stat.	Yes	(21)	No
Va.	Yes	Const.	No	---	No
Wash.	Yes	Const.	No	---	No
W.Va.	Yes	Const.	No	---	No
Wis.	Yes	Stat.	Yes	(22)	Yes(23)
Wyo.	Yes	Stat.	Yes	(24)	No

(1) Property leased for a period of one year or more is subject to the tax to the lessee (Section 128-22, R.L.H. 1955).

(2) School levies.

(3) General Laws, Chapter 59, Section 3A.

(4) General Laws, Chapter 58, Section 13-17B.

(5) Universities pay fees in lieu of property taxes for municipal fire and police protection.

(6) All state-owned lands north of Town line 16 pay 15¢ per acre.

(7) Leased for more than 3 years; used for nonpublic purpose; leased to profit-making lessees.

(8) Revised Statutes 54:4-3.3.

(9) N.J. S.A. 54:4-2.1.

(10) Real property tax law (state exemption, sec. 404). Exceptions to exemption, sec. 530-545).

(11) Real property tax law, sec. 545.

(12) Constitutional exemption provided for in Article 5, Section 5 of N.C. Constitution. Statutory exemption provided for in N.C. General Statute 105-296(1).

(13) Only state-owned property used exclusively for a public purpose is exempt. See Division of Conservation and Board of Tax Appeals, Vol. 149, Ohio State Reports at page 33.

(14) State-owned land used for public hunting and game preserves. Revised Code, Section 1531.27.

(15) Public lands held by taxable owner under contract, ORS 307.100. Public property held under lease, rented or held as an oyster claim by taxable owner, ORS 307.110.

(16) Game commission lands. Payment in lieu of taxes, ORS 496.340.

(17) And decisions.

(18) South Carolina Public Service Authority, Sec. 59-8, Code of 1952; Clark's Hill Authority, Sec. 59-102.

(19) Rural credit act lands and public shooting areas; Constitution, Art. XI, Section 5.

(20) University of Texas endowment lands, county tax only paid.

(21) Title 32, V.S.A. Sec. 3610, 3614, 3652, 3656, 3832, 3833, No. 142, Acts of 1961.

(22) State-owned residential property in educational institutions except student quarters, president's residence and employes' quarters subject to school tax (section 70.114, Stats.). Real estate held by investment board, (section 70.115, Stats.); agricultural land held by university, (section 70.116, Stats.), agricultural land held by department of public welfare and board of health, (section 70.117, Stats.).

(23) State hunting grounds pay amount equal to school taxes, (section 70.113, Stats.).

(24) See Title 39, 1957 Wyoming Statutes, Chapter 2, sec. 39-7.

III. THE NATURE OF THE EXCEPTIONS TO THE EXEMPTIONS OF STATE-OWNED PROPERTY FROM THE GENERAL PROPERTY TAX

Connecticut. The statutes, section 12-81, expressly exempt property belonging to, or held in trust for, the state from the property tax. However, section 12-19 and following provide that on the land of certain property held by the state such as the state correctional institutions, mental hospital, military camp, fish hatchery, game preserve, bird sanctuary, University of Connecticut, state school fund land and agriculture college land the state pays the town a sum computed by multiplying the average value of the same type of land by the town rate.

The 1961 Quadrennial Statement by the Tax Commissioner of Real Estate Exempted from Taxation stated that in 1957 the state-owned tax-exempt property was valued at $174,408,128. The value of all tax-exempt property was $1,666,298,937 and all taxable property was $7,726,533,000. The total state-owned tax-exempt property increased from $41,707,926 in 1937 to over $174,000,000 in 1957. In 1958 the state made an in lieu payment of $226,451 to 136 towns on $5,903,131 of the state-owned tax-exempt property.

Hawaii. Hawaii provides in some detail for the payment of taxes on property leased for a period of one year or more. Such taxes are paid by the lessee. (See Section 128-22, RLH, 1955)

Iowa. In Iowa state property is exempt under Chapter 427.1 (1) of the statutes but Chapter 284.1 to 284.4 provides for an in lieu payment for schools. This provides that "When unplatted lands within the boundaries of a school district are owned by...the state ...and such lands have been removed from taxation for school purposes, said school district shall be reimbursed...in an amount which shall be computed by the county board of supervisors in the county in which such lands are located...". This payment is based on "the proportion that the assessable value of the total number of acres owned by...the state...in such school district bears to the assessable value of the total number of acres in said school district".

Massachusetts. This state provides for the taxing of 2 types of state property. The first is "real estate owned by or held in trust for the benefit of the commonwealth or a city or town, if used or occupied, for other than public purposes...". This is taxed "to the lessee or lessees thereof, their assigns, or to the occupant or person in possession thereof...".

Chapter 58, Sections 13 to 17 provide a process whereby the state determines "...the fair cash value of all land in every town owned by the commonwealth and used for the purpose of a public institution, a fish hatchery, game preserve or wild life sanctuary, a state military camp ground or a state forest or of all land owned by the commonwealth and under the care and control of the department of conservation and used for recreation or conservation purposes..." and that not later than November 20 the treasurer "shall reimburse each town in which the commonwealth owns land for the purposes named in §13 an amount in lieu of taxes upon the value of such land as reported to him by the commissioner...determined by multiplying each thousand dollars of valuation or fractional part thereof by the rate provided under c. 63 §58."

Michigan. It appears from Sections 211.491 and 211.492 of the Michigan Statutes that the state pays property taxes on all conservation land south of the north line of Township 16 and in all of Huron County. We are informed that north of this line, this state makes an in lieu payment of 15¢ an acre. We are also informed that the universities pay a fee for local fire and police protection in lieu of property taxes.

Minnesota. The Minnesota statutory exemption refers to public property and therefore in part by statute and in part by interpretation 3 types of state-owned property appear to be liable for the property tax:

1. That leased for more than 3 years;
2. That used for a nonpublic purpose;
3. That leased to profit-making lessees.

The state also makes some in lieu payments.

New Hampshire. New Hampshire reports that while no state property is liable for the general property tax, the state makes some in lieu payments.

New Jersey. The New Jersey provision for the taxation of state property appears to be unique also because it provides that the state will pay if the state property constitutes more than a given percentage of the area. Section 54:4-2.1 of the statutes provides that "All lands except riparian lands and lands excepted by s. 54:4-2.2 of this title, owned by or held in trust for the state, which are used or to be used for state purposes, whether the title thereto be in the name of the state, or any board, commission or corporation, shall be taxed in the municipality wherein such lands are situate, for municipal and local school purposes, unless the aggregate area of such lands is less than nine per centum (9%) of the total area of the municipality after deducting from the total area of the municipality so much thereof, if any, as is exempt from taxation because it comprises state forests, state parks, riparian lands, lands held by the State Board of Proprietors or lands held for highway, bridge or tunnel purposes or is exempt from taxation under the provisions of Article one of Chapter 8 of the title 'Conservation and Development - Parks and Reservation' (§13:8-1 et seq.) or sections 54:4-5 or 54:4-6 of this title. Said lands shall be assessed at the same value at which they were assessed at the time they were acquired by the state. There shall not be included in the assessed valuation of said lands any improvements constructed or erected by the state or by any board or commission having jurisdiction or control of any state institution...".

Section 54:4-2.2 specifically exempts state forests, state parks, riparian lands, lands held by the State Board of Proprietors or lands held for highway, bridge or tunnel purposes from the above provisions.

New York. The New York law categorizes the state lands subject to taxation as follows:

1. Land subject to taxation for all purposes.
   a. Wild or forest land owned by the state within the forest preserve.

b. Forest lands, state park lands, fish hatchery lands, game farm lands, game management areas, game refuges and lands for reforestation in certain designated places.

2. Land subject to taxation for all except county purposes.
   a. Certain reforestation lands.

3. Lands subject to taxation for school purposes only.
   a. All state land in certain school districts. (See section 530-545 of Chapter 50-a)

Ohio. The Ohio statute exempting state property is unique in the provision for reciprocity. It provides in Section 5709.08 that "Real or personal property belonging to the state or United States used exclusively for a public purpose, and public property used exclusively for a public purpose, shall be exempt from taxation. Real and personal property, when devoted to public use and not held for pecuniary profit, owned by an adjoining state or any political subdivision or agency of such adjoining state, which would be exempt from taxation if owned by the state of Ohio or a political subdivision or agency thereof, shall be exempt from taxation providing that such adjoining state exempts from taxation real and personal property devoted to public use and not held for pecuniary profit, owned by the state of Ohio or any political subdivision or agency thereof, which would be exempt from taxation if owned by the adjoining state or political subdivision or agency thereof...".

An exception to this exemption relating to public hunting and game preserves is contained in s. 1531.27 of the statutes which provides that "The chief of division of wildlife shall pay to the treasurers of the several counties wherein lands owned by the state and administered by the division are situate an annual amount determined in the following manner: in each such county one per cent of the total value of such lands exclusive of improvements, as shown on the auditor's records of taxable value of real property existing at the time when the state acquired the trust or trusts comprising such lands." The law further provides that the payments shall be made from funds accruing to the division of wildlife from the sale of hunting and fishing licenses and federal wildlife restoration funds allotted by the wildlife council and approved by the director of natural resources. It also provides that such payments to the treasurers of the several counties shall be credited to the fund for school purposes within the school districts wherein such lands are situated.

Oregon. Section 307.090 (1) of the statutes provides that "Except as provided by law, all property of the state...is exempt from taxation."

There appear to be 3 express exclusions from the exemption. Section 307.100 provides that "Lands held under a contract for the purchase thereof, belonging to the state or any institution or department thereof, ...together with the improvements thereon, shall be considered, for all purposes of taxation, as the real property of the person so holding the same...". Section 307.110 (1) provides that "Except as provided in ORS 307.120 all real and personal property of the state or any institution or department thereof...held under a lease or rented or held as an oyster claim by any person whose real property, if any, is taxable...shall be subject to assessment and taxation for the true cash value thereof uniformly with real property of nonexempt ownerships." Section 496.340 provides that "Except as provided in sub. (2) whenever real property administered by the game commission pursuant to ORS Ch 496-501 is exempt from taxation on July 1 of any year by reason of its ownership by the state or any of its agencies, the game commission shall pay to the county in which the property is situated an amount equal to the ad valorem taxes which would have been levied against the property if it had been assessed to a taxable owner as of January 1 of such year." Subsection (2) provides that this does not apply to real property used for bird farm, fish hatcheries, office quarters of game commission, capital improvements to real property owned by the game commission or to real property acquired in certain military installations prior to August 3, 1955.

South Carolina. The South Carolina law provides that the South Carolina Public Service Authority which appears to be a public corporation shall annually pay a sum equal to the amount paid for taxes on property at the time of their acquisition by the authority to the counties, municipalities and school districts and consider these payments in computing their rates. (See Section 59-8, Code of 1952) Apparently a similar provision exists for the Clark's Hill Authority. (See Section 59-102, Code of 1952)

South Dakota. This is the only state in which the exception is spelled out in the Constitution.

Article XI, Section 5 of the South Dakota Constitution provides that "The property of the United States and of the state, county and municipal corporations, both real and personal, shall be exempt from taxation, provided, however, that all state owned lands acquired under the provisions of the rural credit act may be taxed by the local taxing districts for county, township and school purposes, and all state owned lands, known as public shooting areas, acquired under the provisions of Section 25.0106 SDC 1939 and acts amendatory thereto, may be taxed by the local taxing districts for county, township and school purposes in such manner as the Legislature may provide.".

Texas. The major exception to the exemption of state property in Texas is contained in s. 7150C which provides that "All the lands set apart for the endowment of the University of Texas by section 15 of article 7 of the Constitution of 1876 and by Chapter 72 of the Acts of the Regular Session of the 18th Legislature which are now unsold, are hereby declared to be subject to taxation for county purposes in the county in which they are located, to the same extent as lands privately owned in said counties."

The general exemption provision (7150 (4)) appears to have another exception which provides "...except that in each county in this state where the state of Texas has or may acquire and own land for the purpose of establishing thereon state farms and employing thereon convict labor on state account, the penitentiary board or board of penitentiary commissioners or other officers of the penitentiary having the management of the same shall render said land for taxes to the tax assessor of said county and to the tax assessor of each independent school district in which said property or any part thereof is located;...and said county and independent school district taxes, including all current taxes and all delinquent taxes shall be paid annually out of the general fund of the state. In arriving at the amount to be paid in taxes to the counties, the value of the land only shall be considered...".

Vermont. Vermont, which provides that "real and personal estate owned by this state, except as otherwise provided..." is exempt, provides at least 6 types of lands which are subject to taxation.

For example, T32 §3610 provides that "Land over which the state has acquired or received an easement of flowage in the completion of its flood control projects shall be set forth in the grand list of the town to the owners thereof subject to such easement of flowage. The difference between the grand list so fixed and the grand list based on the quadrennial appraisal next preceding the acquisition of such flowage rights by the state of Vermont, shall be set in the grand list to the state of Vermont. Taxes assessed thereon shall be paid out of the general fund."

A somewhat different approach is used in §3614 which provides that "Lands held as state forest reserves and parks shall be taxed annually, under the general tax laws, at the local rate on the listed valuation of the land alone, such valuation to be established by the listers in no case to exceed $3 an acre, and such valuation shall be maintained. When a commercial cutting is made, the state shall pay a special tax on the gross stumpage value of the amount cut, which is hereby assessed at ten per cent of such value. The same procedure is used for state forest reserves and state parks under §3656. Fish propagation areas and game refuges are assessed at not to exceed $3 per acre under §3657. State property of public, pious or charitable uses located in a town other than that in which the institution of which it is a part is located is taxable under §3832. State-owned farm land and flood control project land is taxable under §3833. State land held for a park to be created at some future time is taxable under §3615.

Wyoming. The Wyoming law which exempts state property from the general property tax if it is:

a. Buildings and improvements placed on the state lands by lessees for private or commercial uses;

b. Buildings and improvements placed on state lands and furnished by the state to employes as a place of residence;

c. Buildings, equipment and improvements placed on state land and rented, leased, loaned or furnished to employes or groups of employes for the purpose of operating enterprises for which there is a service or admission charge;

d. All real property hereafter acquired by the state or any department or agency thereof under the supervision and control of the game and fish department.

IV. WISCONSIN'S PROVISIONS REGARDING TAX EXEMPTIONS AND THE EXCLUSIONS THEREFROM

The original constitutional provision regarding the levying of taxes contained in Article VIII, Section 1, provided that "The rule of taxation shall be uniform, and taxes shall be levied upon such property as the legislature shall prescribe."

This proposal was amended 4 times since the turn of the century. The first change, in 1908, authorized the income tax. It was approved at the November 1908 election 85,696 to 37,729. As a result of this change the section read:

"The rule of taxation shall be uniform, and taxes shall be levied upon such property as the legislature shall prescribe. Taxes may also be imposed on incomes, privileges and occupations, which taxes may be graduated and progressive, and reasonable exemptions may be provided." (New part underlined)

The second amendment was adopted in 1927 by a vote of 179,217 to 141,888. It was necessary to permit the forest crop law. As amended the section read:

"The rule of taxation shall be uniform, and taxes shall be levied upon such property with such classifications as to forests and minerals, including or separate or severed from the land, as the legislature shall prescribe. Taxes may also be imposed on incomes, privileges and occupations, which taxes may be graduated and progressive, and reasonable exemptions may be provided."

The third amendment, adopted in 1941 by a vote of 330,971 to 134,808, related to optional methods of collecting taxes. It was an outgrowth of the difficulty of paying taxes during the recession of the 1930's. As a result of this amendment the section read:

"The rule of taxation shall be uniform ~~and~~ but the legislature may empower cities, villages or towns to collect and return taxes on real estate located therein by optional methods. Taxes shall be levied upon such property with such classifications as to forests and minerals including or separate or severed from the land, as the legislature shall prescribe. Taxes may be imposed on incomes, privileges and occupations, which taxes may be graduated and progressive, and reasonable exemptions may be provided."

Finally in April 1961 by a vote of 381,881 to 220,434 the people approved an amendment which permitted the taxation of certain personal property at a different rate. As a result of this amendment the section read:

"The rule of taxation shall be uniform but the legislature may empower cities, villages or towns to collect and return taxes on real estate located therein by optional methods. Taxes shall be levied upon such property with such classifications as to forests and minerals including or separate or severed from the land, as the legislature shall prescribe. Taxation of merchants' stock-in-trade, manufacturers' materials and finished products and livestock need not be uniform with the taxation of real property and other personal property, but the taxation of all such merchants' stock-in-trade, manufacturers' materials and finished products and live-stock shall be uniform, except that the legislature may provide that the value thereof shall be determined on an average basis. Taxes may also be imposed on incomes, privileges and occupations, which taxes may be graduated and progressive, and reasonable exemptions may be provided."

While the foregoing provision of the Constitution does not specifically exempt any property from taxes, state property was expressly exempted from the general property tax at the very outset. Chapter 15, section 4 of the 1849 Statutes provides "The following property shall be exempt from taxation:

1. All property, real and personal, of the United States and of this state..."

The peculiar land transactions of the time when the state owned considerable land which it was disposing of resulted in a further provision which was in and out of the statutes for many years. In 1849 it provided:

"Section 5. Land contracted to be sold by the state and not conveyed, shall be assumed to the person holding the contract or certificate of purchase for the same, or to the occupant; but such lands shall be assessed as personal property, and not as real estate, and the tax thereon shall be collected in the manner prescribed for the collection of taxes upon personal property. But the lands shall in no case be returned or sold for the nonpayment of taxes, and the state shall in no case convey such lands until all the taxes upon the same shall be paid."

By 1878 the latter provision was incorporated in the general exemptions of state lands which then read:

"That owned exclusively by the United States or by this state; but no lands contracted to be sold by the state shall be exempt".

Over the years this provision which became Section 70.11 (1) of the statutes was embellished by qualifying provisions incorporated at least in part to prevent the exemption of property which would ultimately go to the state.

In 1947 Section 70.11 (1) of the statutes was repealed and recreated to make the provision apply exclusively to state-owned land. As recreated it read:

"70.11 (1) That owned exclusively by this state except lands contracted to be sold by the state and except state lands hereinafter provided; but lands purchased by counties at tax sales shall be exempt only in the cases provided in section 75.32. No real estate belonging to or held in trust for the state which is exempt from taxation shall be subject to special taxes or assessments for local improvements, any different or inconsistent provision in any city charter notwithstanding. Whenever at the time of the conveyance of any land to the state or as a consideration thereof, the state or any person, firm or corporation holding such land for the state leases or creates any beneficial interest equivalent to a lease of such land or a part thereof to or for the grantor, the exemption provided in this subsection shall not apply to such land or part thereof during the term of such lease or interest, unless such land or part thereof is used for public purposes; except that this provision shall not apply to any property already acquired or for the acquisition of which negotiations are pending on July 29, 1933, and which shall be acquired prior to October 1, 1933, nor to any property acquired from any municipal corporation."

This was further changed by subsequent legislation, but essentially it has provided since the very beginning that state-owned property is exempt.

It appears that it was not until 1933 that the state relaxed its prohibition against the taxation of state-owned property. By Chapter 307, Laws of 1933, Section 70.115 was created which provided "All real estate owned or held by any of the funds invested by the state of Wisconsin annuity and investment board (changed to investment board in 1951) (other than the constitutional trust funds) shall be assessed and taxed in the same manner as privately owned real estate. Such taxes shall be paid out of the fund to which the lands belong or for whose benefit they are held. If such taxes are not paid, the real estate shall be subject to tax sale as are privately owned lands.

The second exclusion from the exemption of state-owned property was made by Chapter 433, Laws of 1939, which created Section 70.116 of the statutes. As originally enacted it provided "All agricultural lands owned or held by the board of regents of the university of Wisconsin excluding those used for experimental purposes shall be subject only to the tax levied for school purposes the same as other real estate. If such taxes are not paid, the real estate shall be subject to tax sale as are privately owned lands." In 1955 by Chapter 523 the word "excluding" was changed to "including" so that lands used for experimental farms were taxable.

Two efforts to change this section were made in 1961. Bill No. 13, A. would have extended the tax to agricultural lands held by the state colleges. It was nonconcurred in. Bill No. 684, A. would have made the lands liable for town and county taxes as well as school taxes. It was indefinitely postponed.

In 1945 by Chapter 398 Section 70.117 was created which provided "Notwithstanding any provision of section 70.11 all agricultural land owned by the state and operated by the state department of public welfare in connection with state curative, penal and correctional institutions under its supervision shall be subject to any tax levied for school purposes the same as other real estate. If such taxes are not paid, the real estate shall be subject to tax sale as are privately owned lands".

In 1951 by Chapter 327 this was made applicable to lands held by the state board of health by inserting the words "or the state board of health" after "department of public welfare". This, of course, was done before the board of health abandoned their installation at Wales.

The fourth exclusion from the exemption clause was Section 70.114 made originally by Chapter 571, Laws of 1949. It provided that "Notwithstanding any provision of section 70.11, the conservation commission shall certify to the director of budget and accounts who shall draw his warrant on the state treasurer for the amount so certified, the amount due each school district in which any state forest lands acquired pursuant to section 20.20 (14) (a) are located, an amount which the department of taxation in its judgment shall determine would be payable in that year as school taxes upon such lands within the district, were the same fully subject to taxation for school purposes."

In an opinion rendered in 1950 (39 OAG 391) the Attorney General held that the appropriation made by Section 20.276 as part of Chapter 571, Laws of 1949, was not for a state purpose and therefore not legal. This nullified Chapter 571 so Section 70.114 was also void. The problem was that the measure referred only to certain forest land, and the Attorney General, leaning rather heavily on State ex rel. Owen v. Donald 160 Wis. 21 (1915) said "the court suggested at pp. 149 and 150 (of the above case) that the legislature could not deplete the general fund for the purpose of paying local taxes upon trust lands of the state in certain counties while the same kind of lands elsewhere were not subject to such taxes, on the ground that this was an appropriation of state money for a local purpose and on the further ground that the act in question violated the constitutional provision against special legislation for the assessment or collection of taxes contained in sec. 31 of Article IV."

Thus Section 70.114 of the statutes was repealed by Chapter 10, Laws of 1955, in a revisor's correction bill because of the Attorney General's opinion.

In 1961 Bill No. 332, A. sought to restore the exclusion of state forest land from the exemption from the general property tax, but it was nonconcurred in.

The fifth exclusion was established by Chapter 643, Laws of 1955, which as amended by Chapter 610, Laws of 1957, provided:

"70.114 (1) Notwithstanding any other provision in this chapter, all land owned by the state, or by any county in such county or in any other county, or by any city, village, town or other municipality, or by any agency of any of the foregoing, which is residential property and is a part of, used by or held and kept for the purposes of a public educational institution shall be subject to tax sale as are privately owned lands."

The final exclusion is contained in Section 70.113 of the statutes which was created by Chapter 612, Laws of 1955. This provision is unique because it is described as a payment in lieu of school taxes. Subsection (1) provides "Each town in which school districts or parts thereof are located, containing any state-owned public hunting grounds, or game reserves or refuges operated in connection therewith, acquired at any time under s. 23.09 (7) (d) 3, shall receive from the conservation fund an amount which the department of taxation determines and certifies to the conservation commission would be payable each year beginning with 1956 as school taxes upon such lands within the town, if such lands were fully subject to taxation for school purposes."

This section was given considerable attention by the Legislature of 1961 which considered 4 bills, 15,A., 719,A., 10,S. and 536,S., which added fishing grounds, determined the status of land under the $50,000,000 crash program or revised the procedure for carrying out the program. Bills 10,S. and 719,A. were vetoed, 15,A. was nonconcurred in and 536,S. was indefinitely postponed.

Another provision which might be included here was Amendment No. 1,S. to Bill No. 616,A. of 1961, which would have made all land acquired under the crash recreation program in 1961-63 subject to school taxes and would have made the state liable for any reduction in taxes resulting from the acquisition by the state of any property rights less than fee simple. It was rejected.

One other segment of the taxation of state property must be mentioned. In 1903 by Chapter 425 provision was made that "The property of every county, city, village, town and school district, within this state, and of every corporation, company or individual operating any railroad or street railway, telegraph, telephone, electric light or power system, or doing any of the business mentioned in Chapter 51 of the Statutes of 1898, and of every other corporation or company whatever, shall be in all respects subject to all special assessments for local improvements in the same manner and to the same extent as the property of individuals. Provided, that such assessment shall not extend to the right, easement or franchise to operate or maintain railroads, street railways, telegraph, telephone or electric light or power systems in streets, alleys, parks or highways."

In 1941 by Chapter 140 this was extended to "sewerage district or commission, sanitary or water district or commission, or any public board or commission". It was then Section 75.65 of the statutes.

The Legislative Council Committee on Taxation for the 1959-61 interim made the following recommendation:

"4. State-owned property is now exempt from the payment of special assessments, and the entire burden of payment falls on the local taxpayers. State-owned property should be liable for the payment of special assessments."

As a result of this recommendation Bill No. 14,A. of 1961 was introduced and became Chapter 472. It amended the opening sentence of Section 66.64 to read: "The property <u>of the state</u> except that held for highway purposes, and the property of every county, city, village, town..." etc. This proposal also centralized the administration of the state payments of special assessments in the commissioners of public lands.

Mention should be made of 4 provisions in the school laws which provide in lieu payments. These are provided for by Section 40.655 (1) of the statutes.

The first provides in par. (a) that the state shall pay tuition for children attending public schools who reside in children's homes.

The second provides in par. (b) that the state pay high school tuition for children in foster homes.

The third provides in par. (c) that the state pay tuition for children of parents employed at and residing on state or federal military camps, federal veterans' hospitals or state charitable or penal institutions.

The fourth, enacted by Chapter 566, Laws of 1961, will require the state to pay tuition for handicapped children in foster homes.

V. TAXES AND IN LIEU PAYMENTS PAID BY THE STATE OF WISCONSIN

In the middle 1950's when an effort was being made to provide that the state pay school taxes on the Kettle Moraine State Park, it was determined that such a proposal violated the uniformity clause, and when the proposal was then expanded to include all state parks, it received a cool reception because of the fear that such a tax would place a very heavy burden on the state.

How much does the state actually expend in property taxes and in lieu payments? This can only be approximated without a very exhaustive study because of the diffusion of payments among many agencies. Our efforts to gather this data elicited the following information.

<u>Property taxes paid 1960-61</u>

<u>University of Wisconsin</u>	
Agricultural lands	$22,132.47
Hill Farms (suburban development)	5,494.01
Other	12,141.18
	$39,767.66
<u>Public Welfare Department</u>	
Farm land	$28,000.00
<u>Investment Board</u>	$380,000.00
The annual real estate taxes on the real estate owned on 12/31/61 were approximately $380,000. This is on $14,344,687 worth of property held by the Board for investment purposes. Wisconsin is the only state in which state funds may be invested in real estate.	
<u>State Colleges</u>	None
<u>Board of Health</u>	None
<u>Capitol and state office buildings</u>	None
<u>Land Commission</u>	None
<u>Conservation Department</u>	None

In lieu payments

University of Wisconsin

On Eagle Heights Apartments to Shorewood School District	$ 39,000.00
On University homes (student apts.) to Shorewood School District	$ 24,172.74

Conservation Department

Public hunting grounds payment in lieu of school tax	$ 38,782.39
State forests, payment of 25 per cent of revenues from forest products sold from state forests ..	$ 31,585.32

Assessments for special services

University of Wisconsin to city of Madison for water and sewer	$178,662.98
University of Wisconsin to Metropolitan Sewerage District	$ 6,464.76
State for Capitol for water and sewer	$ 1,732.10
State for State Office Building for water and sewer	$ 4,500.92
State for heating plant, for water and sewer	$ 296.32
State colleges for water and sewer	$ 33,222.31
University to city of Madison for fire protection..	$ 1,500.00

Tuition payments for certain pupils

In 1960-61 the state paid tuition for elementary and high school pupils residing in children's homes to 11 districts	$ 88,429.72

In 1960-61 the state paid tuition to 9 school districts for pupils residing on state or federal military, veterans' hospital or charitable or penal property. It was as follows:

Jt. 8 Madison city (Truax Field)	$ 1,645.84
Jt. 1 Wheatland(Kenosha) (Bong Air Base)	233.59
No. 1 Harrison(Marathon) (military base)	225.79
Milwaukee city (Wood Vet. Hosp.)	6,213.35
No. 1 Lake Tomahawk (Oneida) (McNaughton State Prison Camp)	1,733.30
No. 1 Lake Tomahawk (Oneida) (old claim)	1,178.91

Tuition payments for certain pupils--Continued

Union Grove U.H.S.(Racine) (Southern Colony) ...	$ 1,569.24
No. 9 Delafield (Waukesha)(Wales School)	942.65
Jt. 3 Oconomowoc city (Waukesha) (same)	737.65
Jt. 1 Waupaca city (Waupaca) Vet. Home at King)..	750.20
	$15,230.52

In 1960-61 the state paid high school tuition for pupils living in foster homes. This was paid to about 70 school districts. $119,329.40

VI. ILLUSTRATIONS OF FEDERAL POLICY ON TAXATION OF FEDERAL PROPERTY BY STATE AND LOCAL GOVERNMENTS

The federal government has 4 policies regarding the payment of taxes on federally owned properties.

1. They may permit their taxation as are other properties. For example, 15 USC 713a-5 provides that "The real property of the Commodity Credit Corporation shall be subject to state, territorial and local taxation to the same extent according to its value as other real property," and 38 USC 694j (a) (6) provides that "Property acquired by the Veterans Administration under the law with respect to loans to veterans shall not be exempt from state and local taxation by reason of its acquisition by the Veterans Administration." (See Commission on Intergovernmental Relations, Payments in Lieu of Taxes and Shared Revenues, 1955 Appendix E from which this was taken for other illustrations)

2. The federal government may make payments in lieu of taxes on certain property. For example, 42 USC 422-3 provides that "Agreements may be entered into with any state or political subdivision for payments in lieu of taxes with respect to slum clearance and low-cost housing projects. The sums paid shall be based upon the cost of the services supplied for the benefit of the project or persons occupying such premises, but taking into consideration benefits derived by the state or subdivision from the project" and 16 USC 406d-3 provides that "There shall be paid to the state of Wyoming for 10 years after acquisition of privately owned lands and improvements acquired after March 15, 1943, a sum equal to the full amount of annual taxes last assessed thereon by public taxing units in the county where the property is located. For each succeeding fiscal year for 20 years there shall be paid a sum equal to such full amount less 5 per cent. Total payments may not exceed 25 per cent of the fees collected from visitors at the Grand Teton National Park and Yellowstone National Park. The sums so paid to the state shall be distributed to the counties where the lands acquired are located." (See ibid, Appendix D from which this was taken for other illustrations)

3. The federal government in the third place may share revenues affecting federal properties. For example, under a variety of acts including 31 USC 711 (17 and 43 USC 391, 1187) five per cent of the net proceeds from the sale of public lands including materials thereon shall be paid to the states in which located. The proceeds are designated for various uses including education, roads and certain other internal improvements and numerous acts are applicable

to single states. The sums currently being paid to the states amount to approximately $85,000 per year. (See ibid, Appendix C from which this was taken for other illustrations)

4. The federal government in some cases makes no payments whatsoever as taxes or in lieu of taxes.

The Kestnbaum Commission in the before-mentioned volume made recommendations regarding a federal policy which they described as "a blending of considerations of equity, logic, tradition and practicality". Four of their recommendations are of significance here.

"1. Congress should not consent to payment of property taxes or any payments in lieu of property taxes on the categories of properties enumerated below. This immunity should not extend to special assessments (see Recommendation 7):

a. Property which, if privately owned or used, would by reason of its use be exempt from taxation under the laws of the State of situs.

b. Property used or held primarily for services to the local public, including but not limited to the following types of properties: Courthouses; post offices and properties incidental to local postal operations; weather stations and observation posts; assay offices; local irrigation projects; sanitation projects; federally owned airports maintained and operated by the Civil Aeronautics Administration; and properties used for experimental, testing or research purposes, such as pilot plant, experimental farm, testing station, or laboratory, if the activities associated therewith serve primarily the local public.

c. Office buildings not associated with commercial or industrial activities and not included in Recommendation 2 customhouses, facilities for coining money and printing currency, bullion depositories, river and harbor improvements, prisons, reformatories, detention farms, hospitals, dispensaries, outpatient clinics, homes for the aged, sanitaria, quarantine and immigration stations, cemeteries, Coast Guard aids to navigation, Civil Aeronautics Administration aids to air navigation, beacons, facilities used in the police and regulatory functions of the Federal Government (other than those which are incidental to or an integral part of the properties included in Recommendations 2 or 3) and military and naval installations (but not those engaged in industrial or commercial activities) such as forts, camps, armories, observation posts, guard posts, proving grounds and airfields.

d. Property which under Federal law is subject to a payment to a State or local government of any portion of the revenue derived from its use or from the sale of such property or any of its products (revenue sharing arrangements).

e. Stocks of strategic and critical materials and of agricultural commodities and other personal property which is not incidental to industrial or commercial activity.

2. The Federal Government should consent to nondiscriminatory State and local taxation of the following categories of properties

in accordance with the laws of the State of situs:

a. Properties acquired by the Federal Government to protect its financial interest in connection with loans or contracts of insurance or guarantee, such payments to continue until the property has been disposed of or placed in permanent use by the Federal Government.

b. Properties sold by the Federal Government under conditional sales contract or leased to taxable persons.

3. The Federal Government should make payments in lieu of property taxes on the following categories of properties, other than those enumerated under Recommendations 1 and 2.

a. Commercial and industrial properties, including properties employed by private contractors or subcontractors in the performance of contracts with the Federal Government, title to which has passed to the Federal Government pursuant to any partial or advance payment contract clause.

b. Properties used or held for activities which serve primarily national or broad regional interests rather than those of the local public.

c. Rental housing other than low-rental housing.

...

7. The Federal Government should consent to the payment of special assessments to finance local improvements where both non-Federal and Federal properties are included in the benefited district and subjected to the assessment, provided that Federal property is treated on the same basis and according to the same safeguards and exemptions as non-Federal property.

..."