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

before

ASSEMBLY COMMITTEE ON STATE GOVERNMENT

on

Assembly Concurrent Resolution No. 67
[proposing to amend the Constitution of the State of New Jersey to prohibit the Legislature from imposing a personal income tax.]

Held:
December 12, 1968
Assembly Chamber
State House
Trenton, New Jersey

MEMBER OF COMMITTEE PRESENT:

Assemblyman Walter L. Smith, Jr. [Chairman]

also:

Assemblyman Peter P. Garibaldi

Assemblyman William E. Schluter

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ASSEMBLYMAN WALTER L. SMITH, JR. (Chairman): Ladies and gentlemen, this public hearing will come to order.

This is a public hearing on Assembly Concurrent Resolution No. 67 required when an amendment to the Constitution is proposed, and the purpose of this Amendment is to prevent the State Legislature from having power to tax personnel income.

When the witnesses are called, will you kindly come to this first desk and give your statement. Give your name and the organization you represent, if you represent an organization; otherwise, whether you are speaking as an individual.

The first witness is Mr. Stephen Lee from the New Jersey Farm Bureau.

S T E P H E N V. L E E: Chairman Smith and members of the Committee, my name is Stephen V. Lee. I am a blueberry and cranberry grower in Burlington County. I appear here today to speak for the New Jersey Farm Bureau, of which I am Second Vice President. The Farm Bureau is a private and voluntary organization of farm families. Our current membership in New Jersey is 4,012, with county affiliated units in 19 counties.

As the principal spokesman for organized farmers, the Farm Bureau has long been active in matters of public policy. We learned many years ago that farmers have to think of themselves as citizens first and farmers second. Thus, we are vitally interested not only in farm problems but in a wide range of public issues that affect farm and rural people as well as all other citizens.

For some 15 years, my organization favored and actively worked for a broadening of the tax base in New Jersey. We were one of the few organizations that openly favored a sales tax for more than 10 years before it was adopted by the Legislature. It was our hope then, and this hope still remains, that most of the proceeds of the sales tax should be appropriated in such a way as to relieve the tax burden on property. This has been achieved to some extent; but as we all know, the Legislature has faced constant demands for the funding of new state services, as well as demands for expansion of existing services.

The New Jersey Farm Bureau is definitely against the passage of a state income tax. At our state convention in November, 1967, the delegates adopted a policy statement on tax and fiscal policy that included the suggestion that the State Constitution be amended to prohibit such a tax. This policy was reaffirmed at our 50th anniversary convention in Atlantic City last month. We want to commend the sponsors of A.C.R. 67 for this forthright proposal to let the people of New Jersey decide whether or not they want a state personal income tax. We strongly support the passage of this Resolution, and urge that the people be given a chance to make a decision on this issue. A.C.R. 67 would give them that opportunity. Why should any member of the Legislature deny the people the opportunity to make a direct decision on this vital question?

The campaign for the recently-adopted bond issues misled many people, in our opinion. Very cleverly-worded campaign slogans and statements were used to imply that the bond issues could be serviced without the imposition of increased taxes. Those of us who have studied the facts know that the bond money will bring only temporary relief from the pressure for new tax revenues; and as a matter of fact, the very operation of the new facilities that will be built from the bond proceeds will require significant increases in tax revenues, probably beyond normal growth in existing revenues.

We have a strong feeling that the growth of government services and the cost of these services has already gotten out of hand--at all levels of government. It is time for administrators and legislators to start saying "no" more often when new programs are proposed or demand is brought forward for expansion of existing programs. Some day we may actually find a government program that should be discontinued.

At the same time, citizens and groups of citizens must be made more aware that when they demand more from government, the cost has to be borne in higher taxes. The myth of "free money" from Trenton or Washington, D. C., needs to be exposed for what it is worth.

We do not agree with those who contend that the mark of success of a modern society is the degree to which it taxes itself, and uses the police power of the state to take more funds away from individual citizens for the "public sector." Instead, our goal as a free and responsible people should be to allow individual citizens to make more of their own decisions, and be free to spend more of the results of their labor as they see fit. We realize this is rank heresy in the liberal community in which we find ourselves; but this is the philosophy in which we believe,

The adoption of this amendment to the Constitution does not mean that the hands of legislators will be tied and the Legislature cannot meet essential needs in the future. It only means that the Legislature will not be free to impose a personal income tax at the state level without the approval of the voters. Nothing could be closer to the "new politics" we read so much about today. This is participation democracy in its finest form.

If representatives of the urban areas feel that the serious problems now facing the central cities cannot be solved without the funds from a personal income tax, then the Committee might want to consider amending A.C.R. 67 to leave the Legislature free to give county or municipal governments the power to levy a wage or income tax at the local level. Our existing policy does not cover this idea; but it is a possibility the Committee might want to consider.

We appreciate the opportunity to present our views here today and urge that action be taken during the 1969 session of the Legislature to put the proposal contained in A.C.R. 67 on the ballot. Let's let the people decide.

Thank you very much.

ASSEMBLYMAN SMITH: Thank you, Mr. Lee.

Mr. Russel Wilson, New Jersey State League of Municipalities.

R U S S E L T. W I L S O N: Assemblyman Smith, ladies and gentlemen: My name is Russel T. Wilson. I am Tax Assessor in the City of Hackensack and Chairman of the Tax Study Committee of the New Jersey State League of Municipalities. I am appearing today on behalf of the League, which, as you may know, represents 550 of the 567 municipalities in this State.

I know that everyone in this room and in this State would earnestly like to see a Constitutional restriction placed not only on the imposition of an income tax but also on every form of taxation now imposed in New Jersey. But the hard facts are that we don't live in a dream world where that would be possible. We must face up honestly to the harsh realities of financing the costs of governmental services on both the State and municipal levels to the citizens of New Jersey.

It is in recognition of realities rather than dreams that the League is forced to counsel strongly against the passage of ACR 67 which proposes a Constitutional Amendment

prohibiting the imposition by the Legislature of taxes on personal income in New Jersey.

We can sympathize completely with the concern of the taxpayer. He is already supporting his municipal government with one of the highest real property tax burdens in the nation. He was asked in 1965 to approve a sales tax which he was told was necessary to meet the costs of government on the State level. He then was asked this past November to approve $990 million in bond issues to provide for immediately needed capital construction by the State and he approved them at the polls. It is small wonder that the taxpayer is in a mood to "outlaw" additional taxes.

But we think that when the inescapable facts about New Jersey's projected fiscal requirements are set forth, even the beleaguered taxpayer will agree that to exempt personal income as a potential source of tax revenue at any time in the future might place the State of New Jersey in a very precarious financial position. We do not mean to imply that we believe that a personal income tax is inevitable in the near future or that, per se, it is a more desirable form of broad base tax than the sales tax. What we do mean is that, as New Jersey's governmental service demands increase, it may well develop that personal income is a necessary and logical tax revenue source to which we must reluctantly turn.

Let me give some brief statistics. The facts are that with the single exception of essentially-rural New Hampshire, every State in this Union has had to resort to a broad based tax to finance its needs. 14 of these states rely on a sales tax alone, and of that number nearly half are rural with considerably lower governmental costs than has an urban state such as New Jersey. 31 states have found it necessary to resort to both a State sales tax and a state personal income tax. The experience in other states should serve as a clear portent of what might become necessary in New Jersey.

I am not going to go into detail about specific anticipated State fiscal requirements, since I am sure that these will be explored by other witnesses. Let me just point, however, to some facts which illustrate that our state's present fiscal resources are already inadequate. While the voters recently approved $990 million dollars in bond issues for the capital programs, this amount falls short of the $1.95 BILLION which was found to be absolutely and immediately necessary by the Governor's Commission to evaluate the Capital Needs of New Jersey. And still speaking with reference to the Capital Program - this provides merely for the so-called bricks and mortar. Additional millions will be required to pay the salaries of the personnel needed to staff the educational and custodial and treatment facilities and to implement the conservation, pollution and transportation programs.

As we examine the fiscal picture from the municipal standpoint, we see several factors which will inevitably raise the cost of the State operations. In 1967, New Jersey's property tax (including the

business personal property replacement) increased $215 million, making it the highest increase ever. As the property tax reaches the saturation point municipalities are forced to turn to the State for fiscal assistance in meeting local service needs. In 1968, nearly $100 million in new State funds was either returned to municipalities or represented through the take-over of previously-local responsibilities such as welfare. As municipalities turn increasingly to the State for fiscal assistance, the State's costs will inevitably rise. A very specific present example of this is the municipal crisis regarding police salaries. Our communities, particularly the large cities, cannot finance adequate salaries for policemen and the League has, therefore, asked the Legislature for financial aid to that end. The Governor has gone on record asking for $25 million for this purpose. The reconciliation of the present patchwork of inequitable and inconsistent state in-lieu tax payments to municipalities is presently under review. The League has called for a fair formula which will reimburse our communities for taxes lost because of the presence of state properties in their taxing districts. Such a formula would mean an increase in costs to the state over and beyond the present token payments. This is but another example of a trend toward increased expenditures to the State.

Put very briefly, gentlemen, we believe that in the face of clearly demonstrated spiralling state costs, it would be extremely unwise to deny to New Jersey a major source of tax revenue, and a source to which the majority of our sister States have been forced to turn.

Thank you.

ASSEMBLYMAN SMITH: Thank you, Mr. Wilson.

Mr. Ralph Miller, A.B.C. Contractors.

R A L P H D. M I L L E R: Mr. Chairman, I am Ralph D. Miller, Executive Director of the New Jersey Chapter, Associated Builders & Contractors, Inc., representing 190 firms in the construction field in the State of New Jersey, who have over 7500 residents of the State on their payrolls.

Our office is located in Cherry Hill, at 1920 Fairfax Avenue, and I have been authorized by the Executive Board of our Organization and by its members to appear as their official representative at this hearing to urgently request that serious consideration be given to the adoption of your Assembly Concurrent Resolution No. 67, the purpose of which is to secure an amendment to Article VIII Section 1 of the Constitution of New Jersey which will entitle the voters of this State at the next general election to the opportunity of deciding on an amendment which will take away from the Legislature the power to lay and collect taxes on personal income from any source.

We submit herewith the following resolution of the Board of Directors of our Association which was approved without dissent at our general membership meeting on Tuesday, December 10. We present this resolution in behalf of the employees of our member firms who are already overburdened by the many taxes now imposed on them. We urge your Committee to recommend the adoption of this proposed amendment by the State Legislature.

Be it resolved that the Board of Directors of the New Jersey Chapter, Associated Builders & Contractors, Inc. in regular meeting assembled on Tuesday, December 10th do hereby petition the New Jersey Assembly's State Government Committee, headed by Assemblyman Walter L. Smith, to act favorable upon Concurrent Resolution No. 67 and be it further resolved that a copy of this Resolution be forwarded to all members of the Assembly and Senate of the State Legislature to apprise them of our serious desires and wishes to prohibit the imposition of a State Personal Income Tax, except by the clear indication of the voters of the State as evidenced by the recorded majority of the State's voters.

This resolution was adopted without dissent at the general membership meeting of our State Organization held on this same date.

ASSEMBLYMAN SMITH: Thank you very much, Mr. Miller.

We have Mrs. John McCall of the League of Women Voters.

M R S. J O H N Mc C A L L: Mr. Smith, ladies and gentlemen: I am Mrs. John McCall, member of the State Board of Directors of the League of Women Voters of New Jersey. I am here today to testify against the proposed Constitutional Amendment ACR 67 prohibiting the Legislature from levying a personal income tax.

It is no secret that the League has long worked for an income tax for New Jersey. We supported the recent $990 million bond issues with the reservation that they did not nearly meet the unmet needs of this State and that,

with or without the bond issues, New Jersey would have to face up to an income tax sooner or later.

But, first, let us consider what this proposal means in terms of good state government. New Jersey has a model Constitution, simple, short and the envy of most other states. The League supported the simplicity of this Constitution at the time of its adoption in 1947. Who would wish to see its efficiency and workability eroded? A constitutional limitation on the taxing power of the Legislature would dilute the authority of the Legislature in one of its most basic functions.

Another danger in tampering with New Jersey's model Constitution is the possibility of opening the floodgates to other specific anti-tax proposals or limitations. For example, it is a well known fact that the highway interest groups would very much like a constitutional amendment to dedicate motor taxes and license revenues to the highway programs. If this were to become a reality the education interests would feel justified in asking that a percentage of the sales tax be dedicated to their cause. Some might push for a constitutional ceiling on the sales tax. The point I am making is that constitutional limitation invites other constitutional limitations. The experiences of other states show how difficult it is for a Legislature to function with this kind of constitutional usurpation of legislative power.

The economic aspects of constitutional limitation on legislative taxing power are many and diverse. But there is one factor that is irrefutable--New Jersey is going to need a large increase in its state revenues.

Without arguing unmet needs of the state as spelled out by various commissions, reports, or interested groups (such as the League), the programs ALREADY APPROVED BY THE LEGISLATURE have assured New Jersey that major tax

changes are in its future. A quick look at budget projections for New Jersey shows immediately the gap that already authorized programs would produce in future budgets. Appropriations for 1968-69 show a budget of over $1 billion with a year-end surplus of $70 million plus an additional $23.1 million still remaining in reserve for urban aid programs. Moving on into fiscal 1969-70, the projected budget would reflect a full year of the welfare take-over plus the first year of the following programs: 10% of the sales tax to municipalities, $25 per pupil school aid to all districts, debt service on bonds, beginning costs of operating new facilities and Medicaid for a total of $168 million. The projected surplus, including any reserve for urban programs would have been about $128 million without these programs. The addition of these programs will produce a deficit of $40 million. Projecting the budget into 1970-71 (including new programs already enacted and with no new taxes) increases the gap to over $200 million. To reiterate, it is quite obvious that although the exact amount of the budget gap may be argued, the programs already passed by the Legislature guarantee the need for a major revenue increase.

So far we have mentioned only already approved programs. A recommendation for a new state school aid formula is expected any day. If adopted and it exceeds $100 million, as rumored, the gap will be even greater. I am not even going to bother adjusting the gap at this point as it is too depressing.

We have been stating that a major source of income must be found for the state, What are the alternatives? Increase the excise taxes? This will not bridge the gap and there is a limit to how high they can go and still remain competitive with neighboring states. Increase the corporation tax? Judging by the billboards around the state, I assume we are trying to attract industry to New Jersey--not repel it.

Or perhaps increase the sales tax? Even doubling the present sales tax to 6%, (highest in the United States) would not produce much more than $250 million. To get revenue beyond that would require removing exemptions for food and clothing making the tax intolerably regressive.

Without new major tax revenue there is no hope for increased state aid for schools under the new formula; there is little relief in sight for the urban areas to upgrade the education of the disadvantaged or solve the city problems. It means that property tax payers can expect continuing increases in their property taxes just as experienced over the past ten years. To limit the possibilities of increased state aid is to give your blessing to higher property taxes. What's so wrong about an income tax, anyhow? Students of taxation always cite the income tax as the fairest tax. Future tax policy must be developed to give New Jersey a balanced fiscal program. New Jersey already has more than its share of the wrong kinds of taxes. Why even think of eliminating the one tax that can really do something for the state? To quote a recent report by the Advisory Committee on Intergovernmental Relations, "....the only hope for genuine progress toward a solution to the perennial fiscal problem of the states--short of drastic curtailment of expenditures, growth or steadily increasing reliance on Federal financial aid-- is heavier state reliance upon high elasticity sources of revenue. The tax with the most potential for raising the automatic rate of growth of state revenue is the personal income tax."

I might interject here that yesterday in an article in the Wall Street Journal this point was brought out again.

Beside balancing out the New Jersey tax base, the income tax has many other features to offer. It could take advantage of the machinery already set up for the commuter tax. At half the New York rates it could produce $300 million a year at current levels while costing New Jersey residents only $210 million because it would be deductible when figuring one's federal income tax. This feature alone makes it an awfully good buy. The fact that an income tax is more responsive to a growing economy would reduce the number of times taxes have to be increased in the future.

The trend of the times is toward state income taxes--not away from them. Federal programs are anticipated for tax sharing with the states, probably on the basis of state income taxes. Should New Jersey have a constitutional restriction it would be prevented from sharing in this federal money.

For all of the above mentioned reasons the League of Women Voters of New Jersey opposes this proposed constitutional amendment. Too often New Jersey has responded to proven need by placing obstacles in the path of solution.

It's past time now for both parties to say, "Yes, we know what New Jersey's needs are. We know that our property taxes are too high. We know that our cities have their backs to the wall and need the help of the state. And we know that with bi-partisan effort the need for new taxes can be explained and accepted by the people."

To seriously consider a proposal such as ACR 67 is to shy away from reality. Prohibition of an income tax is not going to make the need go away. It would instead, put New Jersey back in the same position it was when the perennial favorite "No New Taxes" was in both parties' platforms. The increases in excise and property taxes went right along at a feverish

pace and ultimately a sales tax followed. To prohibit an income tax constitutionally would put New Jersey in a serious bind. It certainly doesn't make economic sense. And it is unconscionable in the light of the fact that the Legislature has already approved programs that have mandated the need for more revenue for New Jersey.

Therefore, the League of Women Voters is asking that this resolution be given the treatment it rightly deserves - a quiet burial in this Committee.

ASSEMBLYMAN SMITH: Thank you, Mrs. McCall.

I would like to compliment the League, not on its statement but on the position you took with respect to the bond issue. I understand that you refused to circulate some literature that was put out by the PR firms.

MRS. McCALL: Yes. We differed with the Committee toward the end of the campaign on this point.

ASSEMBLYMAN SMITH: Would you care to give a projection when the League feels that an income tax would be necessary?

MRS. McCALL: I don't think that we are prepared to project when an income tax is necessary. It depends on what is done, of course, with the other taxes but I have just indicated the gap in revenues next year and an impossible gap the year after that.

ASSEMBLYMAN SMITH: Well, would it be your position that you would need one in two years?

MRS. McCALL: Mr. Smith, we haven't really committed ourselves to exactly when but I would say certainly within the next three or four years.

ASSEMBLYMAN SMITH: Well, we're $200 million short, according to your statement, in the second year.

MRS. McCALL: Yes.

ASSEMBLYMAN SMITH: And you realize that if this amendment to the Constitution were made that it doesn't necessarily prevent an income tax, it merely means that it has to be submitted to the people.

MRS. McCALL: Yes, we understand.

ASSEMBLYMAN SMITH: And you oppose that.

MRS. McCALL: Yes.

ASSEMBLYMAN SMITH: All right. Thanks very much, Mrs. McCall.

I have Mr. John Burns of Edgewater Park as the next witness.

J O H N P. B U R N S, III: I am John P. Burns, III, representing myself as an individual and a citizen and I like to think that I am representing the silent majority of the working people who are not able to be here.

Mr. Chairman, first I want to thank you for this opportunity to speak in behalf of this proposed amendment to the New Jersey Constitution.

I am proud of this State Government which encourages citizens to come before it and I am grateful for the courtesy extended to me today. This example of democracy in action will be remembered by me for a long time.

I feel strongly about this proposed amendment to Article VIII of the Constitution. I realize that we would be reducing our broad base taxing potentials and I know that

an avenue of future state revenue would be closed if this amendment were enacted.

I believe that this is exactly what our great State of New Jersey needs, for the inability of some legislative officials to control bureaucracy in government has caused a great economic pressure on the home owners.

Let us halt these ever-increasing taxes and the creating of new taxes. Let us have the courage to attempt to stop these dangerous, inflationary trends now so evident in this Nation and in this State. Let's really show some concern for the thousands of retired people and people living on a fixed income who find it is humanly impossible to meet increasing tax demands.

It would be a great day for the people of New Jersey if these matters could become a reality. This amendment would help to bring about this reality. It would force this State to tighten its financial belt. It would cause a moratorium on increased spending. It would necessitate that systems of priorities be established to state fiscal policies and it would surely bring about certain economies in the over-all operating expenditures incurred by state offices and agencies.

It is not impossible for a state government to live and operate within a fixed budget. I know that rising tax rates and increased state expenditures are a chief concern of all the Senators and Assemblymen because these subjects always appear in their election campaign literature and in their speeches. Many of our political leaders speak of bringing about economies in our state government. There are, in my

opinion, too many public officials who generally feel a strong urge to spend and who cater to pressure groups trying to improve their own positions at the expense of the taxpayers.

This proposed amendment would force the issue. Once and for all the governing officials of this State would have to say, this is as high as our tax rate will be set, this is how much money we will realize, this is what we propose to do with the money, beyond this point we will not budge.

I am confident that our leaders can do this. I am confident that they will bring about economies in the State's operating expenditures. I am certain that the people of the State will greatly benefit.

I would like to urge this Committee to release the Resolution now before it and press for a referendum on the proposed amendment, thereby giving the people of the State the right to express, through their vote, whether or not there should be any wage tax now or in the future in this State.

Again I thank you for allowing me to speak.

ASSEMBLYMAN SMITH: Thank you, Mr. Burns.

I see Assemblyman Garibaldi here. Do you wish to give a statement?

ASSEMBLYMAN GARIBALDI: I'll wait a while.

ASSEMBLYMAN SMITH: All right.

Mr. S. Herbert Starkey, New Jersey Education Association.

S. H E R B E R T S T A R K E Y: I am S. Herbert Starkey, Director of Research for the New Jersey Education Association, and I am appearing here and welcome this opportunity to express our views and concerns regarding Assembly Concurrent Resolution No. 67.

One month ago the people of New Jersey voted by a sizeable majority to move forward by undertaking a much needed capital construction program of almost $1 billion. They voted to build new highways and improve transportation in the most urban and congested state in the nation. They agreed to provide greatly expanded facilities for our colleges and universities.

Recognizing the need to build for a better New Jersey, the people certainly expect to maintain the new transportation facilities that are built and to support the operation of greatly expanded higher education facilities that will be able to accept more young people. It will require additional tax money to operate and maintain these capital improvements. Money from present or future tax sources will be needed to amortize the $1 billion debt. To meet these and other future revenue needs, the Legislature and citizens of New Jersey must keep all tax sources open for possible use. This is the first reason why NJEA opposes eliminating the power to tax personal income in this State.

In the immediate future, New Jersey will need additional funds (1) to finance a greater percentage of the cost of welfare services, (2) to provide a Medicaid program, (3) to provide State aid for some municipal services such as police and fire protection,particularly in urban areas, and

(4) to increase State aid for schools under a more equitable formula soon to be proposed by the State School Aid Commission headed by Senator Bateman. These needs cannot be met from current tax sources at present rates. This is the second reason why NJEA opposes Assembly Concurrent Resolution No. 67.

Providing for a thorough and efficient system of public schools is the constitutional responsibility of the State. In this decade of rapidly growing technology and increasing competition for jobs, no area of public concern is of greater importance than equality of educational opportunity for all children. New Jersey's present State aid formula and state tax policies do not provide such equity. The major reason for this condition is our major reliance upon the property tax for school support.

Property values in our school districts are not distributed in proportion to the number of children to be educated. A full-value school tax of $2.00 will provide a school program costing $1,000 per pupil in some New Jersey districts while a tax rate of $4.00, which is 4 percent of the market value of property, will produce a program costing less than $600 per pupil in other school districts.

To reduce this glaring disparity in tax rates and quality of education requires more State aid than New Jersey is now providing. The sales tax helped raise the proportion of school revenue from State government from 21 percent to 29 percent. As costs rise and the formula remains static this percentage decreases at least 1 percent per year.

NJEA and other state organizations have for years advocated a level of state support for schools of at least 40 percent. This aim requires additional state revenues from a major tax source. This is a third reason why NJEA opposes Assembly Concurrent Resolution No. 67.

New Jersey State Government raises the bulk of its revenues through corporation taxes, various forms of sales taxes and motor vehicle taxes. Local governments depend upon the property tax. All of these taxes are regressive - they take a larger percentage of the income from the poor than from the rich. The New Jersey general sales tax presently exempts food and clothing. The degree of regressivity will be sharply increased should it be necessary to eliminate the exemptions on clothing and food and to raise the 3 percent rate. If the door is closed to a personal income tax, we have no alternate but to impose a more regressive sales tax and/or increase drastically the already heavy and regressive property tax. This would be a severe burden upon low and even middle income families - and I might add, I agree with the previous speaker, it would be a burden on our retired people with fixed incomes - and I think would depress business and employment in this State. This is the fourth reason to oppose the resolution before us today.

It is a commonly accepted myth that United States taxes hit the rich and spare the poor. The Federal Income Tax is in theory at least a highly progressive tax. To help balance this much discussed impact upon the wealthy, states have turned to sales taxes, payroll taxes and corporate taxes.

The last tax is padded on to the buyer of goods in the form of higher prices. These state taxes have the greatest impact upon low income families. Latest research by economists point to the conclusion that this attempt to compensate for the Federal tax has gone too far the other way. When local, state and federal tax loads are added up the latest available study indicates that families with less than $3,000 annual income pay 34 percent of their income in taxes, those with $7,000 to $10,000 income pay 32 percent, and families with incomes from $15,000 and over pay an average of only 28 percent in taxes.

Surprisingly, then, it is the poor who pay the biggest share of earnings in taxes. The situation in New Jersey is probably worse than the national average because we do not have a state income tax paid by our own residents.

It would be sheer folly and the height of irresponsibility for the Legislature or the people to rule out the one single tax that could restore balance and equity to our state and local tax policies. The income tax may be needed, and soon, to prevent further inequities and hardships resulting from our reliance upon forms of taxation that deal so harshly with our low income families and so lightly with those who are affluent.

We appeal to the members of the State Government Committee to reject Resolution No. 67 in the interest and welfare of the present and future generations of the State of New Jersey.

ASSEMBLYMAN SMITH: Thank you, Mr. Starkey.

You don't feel that the fact that the federal

government has pre-empted the income tax as a tax neutralizes your statement in any way?

MR. STARKEY: No. We took that into consideration and the latest studies show that the effective rates, not the nominal rates but the effective rate of taxation upon varied income families, the federal tax is not near as severe as most people think.

ASSEMBLYMAN SMITH: Did you take into consideration the 10 percent surcharge?

MR. STARKEY: Yes.

ASSEMBLYMAN SMITH: All right. Thank you.

Mr. Mark Hurwitz, State Federation of District Boards of Education.

M A R K W. H U R W I T Z: Assemblyman Smith, I am Mark W. Hurwitz, Director of Special Services of the New Jersey State Federation of District Boards of Education. The Federation is grateful for the invitation to appear before you today to present its views on the proposed constitutional amendment which would prohibit the Legislature from imposing a personal income tax.

Many studies have already been made of the New Jersey tax structure including twelve reports by the State Tax Policy Commission. As far back as 1950 this Commission in its Fifth Report said: "The State of New Jersey is completely lacking in a long range fiscal policy... Its financing has been on the basis of sheer expediency...." Since that time the Legislature, in its wisdom, has enacted a sales tax.

A recent New Jersey Department of Higher Education report issued prior to the November general election outlined where sales tax money is going. Twenty-one million dollars had to be added from other sources to the $252 million anticipated during 1968-69 from the sales tax in order to balance aid to education, health services, highways, public welfare, local government, in lieu of railroad property taxes and community affairs.

One thing is obvious: Without revenue provided by the sales tax, the mounting cost of governmental operation and consequently the mounting property tax burden would be even greater. However, will the sales tax be able to provide sufficient revenue to meet the essential needs of New Jersey in the years ahead?

From 1958 until 1965, the increase in school costs alone in New Jersey ranged from $50 million to $100 million per year. Beginning in 1965, school costs rose from $100 million to $125 million per year or about twice the rate of the previous seven years. Future years promise more of the same.

Similar costs and cost projections can be provided in the areas of public welfare, community affairs, transportation and especially health services with the Medicaid program presently before the Legislature. The President's National Advisory Commission on Civil Disorder, in its report issued on March 1, 1968, made numerous recommendations which must be implemented if our country is to continue to prosper. The recommendations of this Commission should have

an especially large impact on New Jersey, which the United States Census Bureau reports is the most urbanized state in America.

But how will these needs be met? Already we find that we must supplement the receipts from the sales tax to meet the needs this tax was designed to satisfy. Since the turn of the century the State has increased its population by more than 3.7 times. During the period 1960-67 our population grew by more than 16.7 percent in New Jersey to over 7 million people. It is projected by the New Jersey State Department of Conservation and Economic Development that our population will increase to over 12 million by the year 2000, an increase over the present figures of more than 58 percent.

The major function of government, at all levels, is to satisfy the needs of the people it represents. Present needs and future projections clearly show us that additional monies will probably have to be obtained from some source. A rise in the present sales tax would only, in our opinion, cause a greater hardship on those already overburdened by the regressive nature of this tax. According to federal income tax exemption figures, an individual filing an income tax return for a family of four who earns $3,000 per year pays $.53 in sales tax for each $100 he earns while an individual earning $20,000 with a family of four pays $.51 per hundred dollars.

For the State of New Jersey to adopt ACR 67 to deny access to a potentially vital resource would seem to constitute the taking of an unjustifiable risk with New Jersey's future. Thirty-five states presently have income taxes and,

according to figures provided to us, 44 have sales taxes. However, 29 states have both an income and a sales tax. This differs from previous figures given this morning because two states do not tax the real income, it's income from other sources, stock and these kinds of things. The figure was given to you a little while ago of 31, we are reporting 29.

The New Jersey State Federation of District Boards of Education and the 596 local boards of education it represents respectfully submit that our state government should not attempt to close the door forever to a possible and widely accepted source of revenue. To do so would be to deny the possible needs of the late twentieth century and beyond. Government cannot afford to restrict its flexibility and in turn limit its ability to accomplish its basic purpose.

Thank you.

ASSEMBLYMAN SMITH: Thank you, Mr. Hurwitz.

You understand, Mr. Hurwitz, that this does not preclude an income tax, it merely means that if there is one enacted after this amendment, it would have to be submitted on the same basis to the people.

MR. HURWITZ: We realize that, sir. However, we question this process. In what way do we separate those things that will be submitted to the people for them to vote on and what will not. We feel that our Legislators have been elected to make decisions and this is their job.

ASSEMBLYMAN SMITH: All right. Thank you.

Now, also, you say you speak for the 596 local boards. Did you consult them in any way as to your position

on this amendment?

MR. HURWITZ: This position is similar to the position taken by us, sir, in previous testimony given before other commissions concerning the possibility of broad base taxes in New Jersey, and this coincides with the previous positions which were adopted by our delegate assemblies.

ASSEMBLYMAN SMITH: In other words, this was not referred to local boards but to delegates from the local boards?

MR. HURWITZ: Each board of education is required by law, sir, since we are a quasi state organization created by --

ASSEMBLYMAN SMITH: I'm familiar with that, you force them to belong.

MR. HURWITZ: The Legislature forces them to belong.

ASSEMBLYMAN SMITH: And pay $600. Yes, we did that.

MR. HURWITZ: It's on a sliding scale, sir. The largest boards pay $600 and smaller boards pay a lesser sum. It's on a graduated scale. But the law requires that each board of education, yes, you're correct, belong and also elect a delegate to the Federation. So we have 596 delegates to the Federation, each representing a local board of education.

ASSEMBLYMAN SMITH: And this was submitted to the 596 delegates?

MR. HURWITZ: This position has been taken by our delegates at previous delegate assemblies which are held semi-annually.

ASSEMBLYMAN SMITH: All right, thank you, Mr. Hurwitz.

Ladies and gentlemen, I think we'll take a five minute break.

Now, if anyone has a problem wherein they have to get a statement in at an early hour, will you please come forward and give your name and we will try to accommodate you, otherwise we will follow the list as we have received the requests.

(Recess)

(After recess)

ASSEMBLYMAN SMITH: All right, ladies and gentlemen, will you take your seats and we will resume.

Mr. Richard Solyom.

R I C H A R D S O L Y O M: Mr. Chairman and members of the Committee, my name is Richard Solyom and I live in Fort Lee, New Jersey.

I am here to speak in favor of the proposed Resolution No. 67 and I speak to you in my capacity as State Chairman of the Liberty Amendment Committee. This is a national organization with headquarters in Los Angeles and local committees in every state. Our primary objective is to restore the U. S. Constitution to full force and effect.

The Committee believes that the 16th Amendment, which permits taxation of personal income, opened the way for our present day, all-powerful central government with its huge, wasteful federal bureaucracy. The Committee, therefore, concentrates its efforts on repeal of the socialistic 16th Amendment.

The reasons against a personal income tax at the city and state levels are the same as those at the federal level, and they are just as valid. First, let me dispel one popular misconception. Many people believe that the income tax is a soak-the-rich scheme. This is a fallacy. They believe most of the money collected comes from the rich people and is used to promote the general welfare of the poor people. This is not true.

Only about four percent comes from those earning from $20,000 up to a million dollars a year. Now, ten percent comes from those earning from $10,000 up to $15,000; but sixty percent comes from those earning up to a maximum of only $10,000 a year. So you see, the income tax does not take from the rich and give to the poor, it merely takes from the average guy, skims off the cream for use of the bureaucrats and gives the rest back to the general public in the form of socialistic welfare schemes.

Now we must remember that there are only three basic, proper functions of government, (1) defense against foreign enemies; (2) maintenance of law and order within the territorial limits; and (3) regulation of trade and commerce.

Now, there is a price for these services and this price is collected in some form of taxation. Reasonable taxes are a necessary and legitimate expense but when governments go beyond these three basic functions, they are spending money for things that are none of their business. There are only three ways that they can get this extra money. - they can collect more taxes, they can borrow from private savers, or,

in the case of the federal government, they can just crank up the printing presses and print more money. Now this last method is not available to us here at the state level, however, the other two certainly have been used to the utmost.

We, the people, are already overburdened with all manner of taxes and just recently we were saddled with almost a billion dollars of new bonds. They tell me the interest alone on this will amount to some $50 million dollars a year. Now you will say, "but you, the people," approved of this bond issue in a referendum last November. True. That's true, they approved, after the State was flooded with propaganda paid for with tax money. This is another flagrant example of using tax money for other than the three basic functions of government.

Therefore, I applaud the introduction of this resolution because its adoption will prevent the State from getting its hands on more funds which, in all probability, would be misused or misappropriated.

If the government of this State confines itself to the proper functions of government, there will be no need for an income tax; and if this amendment is made a part of our constitution, it will help to keep government within its proper sphere.

I have here a copy of "The Communist Manifesto" by Karl Marx and Engels. In this Karl Marx has a ten step program for world domination. Step No. 2 of this program, and please note the importance that he gives this step, the second most important, according to him, reads as follows: "A heavy

progressive or graduated income tax."

Now I don't believe that the people of New Jersey want to follow Karl Marx and want to turn their state into a socialistic state. I think more likely that they would agree with Calvin Coolidge. When he was talking about the federal income tax Coolidge said, "I do not believe that government should seek social legislation under the guise of taxation. If we are to adopt socialism it should be presented to the people of the country as socialism and not under the guise of a law to collect revenue."

Just one more point, if I may. As you all know the constitutions of New Jersey and Connecticut are prototypes, that is, they were used as guides by the founding fathers when they wrote the Federal Constitution. The Federal Constitution, as originally written, prohibited the taxation of personal income. That is why, when Congress thought they needed more money, they first had to pass the 16th Amendment. Now, today, this proposed Resolution No. 67 states: "The Legislature shall have no power to lay and collect taxes on personal incomes derived from any source whatever."

And I say, good. Let's make this a part of our New Jersey Constitution so that once again the federal government can follow in our footsteps and prohibit collection of taxes on income by repealing the 16th Amendment.

You know what Thomas Jefferson once said, "In matters of power let no more be heard of confidence in man but bind him down from mischief with the chains of the Constitution."

So I am delighted with the Honorable Mr. Smith and

his efforts to forge one more link in the chain of the New Jersey Constitution. We need this additional link as a safeguard to prevent our government getting so big that it will devour us.

And I thank you for the opportunity of being here today and allowing me to express my opinion.

ASSEMBLYMAN SMITH: Thank you, Mr. Solyom.

Assemblyman Garibaldi.

P E T E R P. G A R I B A L D I: Mr. Chairman, I would like to thank you for the opportunity to present my views on this important issue and to thank everyone here who has taken the time and trouble to come here today and also set forth their views.

First, I think we should put into proper perspective what the purpose is behind this measure today. And I would just like to say that I have co-sponsored this measure because of my own personal feelings and opinions toward it.

First let me say that finance in New Jersey has long been dominated by use of the general property tax. And, as has been noted here today, in many respects New Jersey stands out as extreme. For example, New Jersey raises a greater proportion of combined state and local revenues from the property tax than does any other state, except California and Nebraska; and the per capita burden of the property tax is greater in New Jersey than in all states but California and Massachusetts.

The average effective rate of the property tax in New Jersey is one of the highest among the states in the entire

country. Now certainly this means something to me and it should mean the same to all.

How do we rectify this situation? How do we correct it? Certainly not by initiating additional broad base taxes unless we do something to correct the entire tax structure which exists in the State of New Jersey now.

I would certainly say at this point that this measure does not close the door, ACR 67 does not close the door to future taxes by means of a broad base income tax, but I would say that this measure will put forth, before all the Legislators of the State of New Jersey, the idea that before we go spending any more money something must be done to correct the inequitable situation that exists in the State today. For example, when the sales tax was originally set before the people or set before the Legislature they said this would be a help to the home owner, this would provide some relief to the home owner. Certainly I think the intent was there, that this was the purpose of it and also to provide additional funds to handle the necessary and needed services throughout the State, but it did not do what was stated, and that was to provide relief from the property tax, the overburdened property tax that the people pay throughout the State.

As a matter of fact, after collection of the sales tax, and the collections were even greater than that which was anticipated, yet the property tax burden increased by 13 percent in the following year. And certainly we cannot prove that the services which have been rendered after the initiation of the sales tax were any greater or any better than they were

without it. And I would say that the same thing would possibly happen with the initiation of an income tax.

I would like to state at this time, Mr. Chairman, that as a Legislator and one who would responsibly and seriously consider this measure, we must first consider the multitude of other problems that exist throughout the State of New Jersey that must be weighed, and that is to revise our tax structure prior to any initiation of an additional broad base tax. And our Tax Policy Commission has set forth a recommendation, and as I review the 12th Report of the Commission on State Tax Policy, which, believe me, is no different from the first and here we are on the 12th, they state that immediate measures should be taken to begin an orderly and systematic reduction of the local tax burden on real estate.

They have set forth many recommendations as to how this can be done, and one thing we must do would be to eliminate one of the major deterrents to new investment required to rehabilitate urban areas and to provide tax relief for older suburbs and struggling rural communities as well.

I think this conclusion by the Tax Policy Commission puts the whole problem of taxes into clear focus and certainly I and Assemblyman Smith, who has initiated this measure, are trying to put into focus the same statement here as set forth by the Commission.

Thank you, Mr. Chairman.

ASSEMBLYMAN SMITH: Thank you, Assemblyman.

We have Mrs. Arthur Hawkins, New Jersey Council of

Churches and Methodist Conference of Northern New Jersey.

M R S. A R T H U R H A W K I N S: Assemblyman Smith and Assemblyman Garibaldi, I represent the New Jersey Council of Churches, 116 North Oratan Parkway, East Orange, which is an organization of fourteen denominations, all protestant churches of New Jersey. My name is Mrs. Arthur Hawkins and I am Legislative Consultant to that organization.

The Northern New Jersey Conference of the United Methodist Church, has asked that I present you with the following statement.

The Northern New Jersey Conference of the Methodist Church area is the northern part of the State of New Jersey with some churches in Rockland County, New York, and one in the State of Pennsylvania, representing 268 churches and approximately 92,000 people, and wishes us to report the position of the New Jersey Methodist Conference of 1967.

"We call for the substitution of a progressive income tax for the present regressive sales tax."

The 1968 Conference reaffirmed this position in these words:

"To reduce dependence on the local property tax base, we call for a state income tax. The resulting new revenues should be reallocated to the localities by population, poverty level, and the local property tax base." In addition the 1968 Conference reiterated the 1967 Annual Conference statement on the substitution of a state income tax for the present regressive state sales tax.

The New Jersey Council of Churches also took a stand on the issue of an income tax at the General Board Meeting of June 16th, 1965, at the request of the Social Welfare Committee of the Social Education and Action Committee:

"We believe that a sales tax is undesirable. It penalizes local business, has a major impact on the poor, and much of it can be dodged by the rich; and when additional revenue is clearly needed a state income tax would be the fairest and best. We consider it important that the computation be reduced to a simple taking of a percentage of the federal tax. The overhead for the taxpayer of a separate and different form would be wasteful and should be kept at a minimum."

Thank you for the opportunity to be heard.

ASSEMBLYMAN SMITH: Thank you, Mrs. Hawkins.

MRS. HAWKINS: I would like to add one thing and that has to do with a conference I went to on gambling,a national conference, which studied taxes in the State of New Jersey.

I have that material at home. Unfortunately, I was only called last night on this and I apologize for the rather rough copy I gave you.

But a study was made for this conference on state taxes and the exact percentages of state taxes and it also showed in this material that the cost of municipal and county governments had risen way, way above the costs that state and federal government had in the last ten or fifteen years. And I would like to request permission to submit that

material to you because I think you would find it very useful in your study of this issue.

ASSEMBLYMAN SMITH: You may submit that. If you will mail it to me and I will see that it is part of the record.

MRS. HAWKINS: And we are very definitely against the changing of the Constitution.

ASSEMBLYMAN SMITH: Did you consider the fact that a great percentage of our sales tax comes from non-residents?

MRS. HAWKINS: I think there is a good percentage that comes from non-residents but I think the sales tax hits the poor.

We work in Newark and Camden and other areas with the poor and we feel that an income tax would be much fairer to those who have incomes under $5,000. They still have to buy things, household materials and other things, that are subject to sales tax, and we feel that the wealthier people, - and I don't mean by that the very wealthy people but people with higher incomes, a gaduated income tax is much fairer to the citizens of the State of New Jersey.

ASSEMBLYMAN SMITH: You don't feel that we should get some of our money back from Pennsylvania and New York.

MRS. HAWKINS: Oh, I think we do, on the Turnpike and the Garden State.

ASSEMBLYMAN SMITH: The State doesn't get that money.

MRS. HAWKINS: Well, it's coming into our State.

ASSEMBLYMAN SMITH: All right, thank you.

Mrs. Lillian Howe, Somerset City Taxpayers Group.

M R S. L I L L I A N H O W E: Mr. Chairman and Committee members, I am Mrs. Lillian Howe of Hillsborough Township in Somerset County. I represent a very unique group of taxpapers from the grass roots of Somerset. We have members in about nine or ten municipalities, who hold meetings in their homes to discuss and do research on tax questions. I act as liaison between these groups.

We get bills from the Legislature and we write our representatives on the state and federal levels telling them why we are for or against a measure. We also thank them when we think they are doing a good job.

The people of our area are really worried due to all the taxes we've had and I became interested when we first had the sales tax, the tax that was going to help the property owners - remember? Then we had our municipalities drained by the gross receipts and railroad taxes, which were sent directly to Trenton and have become buried in the Sales Tax Bureau.

Our municipality taxes have skyrocketed and we have been put into further debt by the schools, the sewers, and county parks and playgrounds. In fact, Mr. Smith, we feel that we are bonded slaves to the County of Somerset and the State of New Jersey.

Then along came the bond debt taxes, no program. We were not in favor of it but we couldn't buck the millions of TV and radio propaganda. Now we find out that even though you people down here have so much money from the bond issue, and

I quote Mr. Kervick from one of the newspapers, our Treasurer. He was speaking of all the money coming into the Transportation Department and he said they would be "chocked with money." I had a horrible feeling of seeing Mr. Goldberg laid out on some highway dying because he was chocked by the landfall of greenbacks. He must have a new staff to take care of all of this money.

We get the bills from the Senate and the Assembly and we see where they use a million dollars for a study for the Community Affairs Department. Now that's a lot of waste. We, in Somerset, honestly believe that Mr. Ylvisaker's Department is the most useless of all because it is doing duplicate work. We've been doing all right in our communities up to now and we don't need men from the State to come in and tell us how to run our business.

We, in Somerset, protest an income tax of any kind. Why should we pick up the firecrackers from the core cities and be big daddy to them all?

What happens when the homeowner can no longer pay his municipal and county tax? Within two years this will be a solid tax. Right now in Hillsborough Township, my township, in Somerset County, there are a great many people who cannot pay the municipal tax. It's particularly hitting the senior citizens who are on an income of $100 a month, I should think, maybe from the Assistance. And one woman in particular gets $100 a month. Her husband is dead. She pays out of that $100, $70 in just taxes, just taxes, leaving her twenty or twenty-five dollars for food, clothing and to run her car.

This is just one instance and I understand from my municipality that there are many others.

So what are we going to do when these people can no longer keep their homes? Are the towns and the counties going to take over all of this land? Are you going to have a lot of trouble at the state level, because you won't have the tax money down here. Of that, I am sure.

Thank you very much for your attention. We really appreciate your listening to the small people at the grass roots level. When I came in here and heard all of these great learned people speak before me I felt as though I were in the wrong place but I am sure that my representative in the Senate and in the Assembly want to know what the grass roots feeling is and this is the feeling of a great many people in Somerset.

Thank you so much.

ASSEMBLYMAN SMITH: Thank you, Mrs. Howe. Will you give your address to the staff so that we have a record of that.

MRS. HOWE: Amwell, Rd., Neshanic.

Mr. Howard Frace, Union Township Taxpayers Group, former Mayor, - is that correct?

Will you give your name and address so that it is part of the record, Mayor.

H O W A R D F R A C E: Chairman Smith, members of the Committee, ladies and gentlemen: I am Howard Frace from Pittstown, New Jersey. I represent the Taxpayers Committee of Union Township, Hunterdon County, and also the residents of Union Township, Hunterdon County as an elected Township

Committeeman.

Taxes and cancer have many of the same symptoms. They are, most of the time, incurable but sometimes controlable. They are subjects which we do not like to discuss with the patient.

We realize that licenses, taxes and bonds are the only ways that the State can raise monies that are needed. It takes a man with great integrity to submit a resolution such as Assemblyman Smith has.

If we will reminisce back just a few years, the residents of this great State were presented with a large bond issue which was to be the answer to the State's financial problems for many years. As we all know, this was defeated.

Then we were faced with a broad base tax, either a sales tax or an income tax. The sales tax has been adopted by the State. It was sold on the theory of the relief in the property owners tax bills.

And now I would like to show you how it affected our small municipality which had a census of 1717 in 1960.

In 1967 out of the sales tax we received the first money on the township level. We were granted between $6700 and $6800 for road construction under the extraordinary road bill. This did not lower the tax to the property owners of Union Township but rather increased it because it was on a matching fund basis.

We are now in the process of building a strip of road from this money at a cost to the taxpayers and not a reduction.

Then we come on up to the present bill, the bond issue, which was just passed. - I'm ahead of my story. Go back one year. Go back to what we were promised for 1969.

We are to be allotted approximately $4.00 per capita for each resident of our municipality and the Township Committee will receive somewhere in the neighborhood of another $6800.

The local board of education will receive an additional $25.00 per pupil.

On the surface, this looks wonderful, but on the school end, at the time that this was promised to the boards of education under the State statute or State resolution, the State Board of Education upped the salary guide for the municipalities. And in our Township, receiving $25.00 additional for each pupil, - and we have somewhere in the neighborhood of 300 pupils in our local elementary schools, it will cost the taxpayers, with the increased salary guide, an additional $500 out of their pockets for our local budget to meet the school bills.

So the sales tax has not relieved, in Union Township, the tax burden of the taxpayers which was promised to them when the sales tax was introduced.

The bond issue that was passed last November, again, was supposed to be an answer to the financial problems of this great State and was sold to many voters on the theory that if it were not passed another broad base tax would be needed.

When salaries of employees are increased by their employers, most of the employees tend to increase their

spending. The same policy seems to exist on the municipal, county, state or federal government level. The word saving is a word of the past in most cases.

If and when an income tax is needed, by taking the income tax issue to the public maybe we, as taxpayers, will be able to know in advance who will benefit from it.

Keeping this resolution away from the voters, it would again appear that we do not want to discuss the illness with the patient.

Thank you, Mr. Chairman, for letting me express my opinion for myself and the Taxpayers Group of Union Township.

ASSEMBLYMAN SMITH: Thank you, Mr. Mayor. We appreciate your appearance here today.

Is there someone here from the Taxpapers Association? They called yesterday afternoon.

MEMBER OF AUDIENCE: The New Jersey Taxpayers? We will be ready after lunch.

ASSEMBLYMAN SMITH: Well, we may go right on through.

MEMBER OF AUDIENCE: I will have my stuff delivered in about 25 minutes.

ASSEMBLYMAN SMITH: All right, fine.

Mrs. Miksiewicz from Linden.

A N N. M I K S I E W I C Z: Honorable Assemblyman Walter Smith and guests - if I may call you that. I hope we are not going to be guests and I hope it will not be in vain.

I am Ann Miksiewicz, representing the Linden

Taxpayers Association, Inc. I am also speaking on behalf of Rahway who could not attend. We couldn't find anybody who could take off from work - they're busy making money to pay their taxes, back taxes.

I go to the Council meetings in Linden and I haven't missed a one, and I complain about my taxes and they tell me, "Why don't you go to the State first?" So, here I am.

I like the idea of prohibiting the tax because I am sure that all proper functions of government are being taken care of by present taxes and bond issues.

I would like to point out the $35 million grant for a medical school as being a wasteful expenditure that is going to be built in Newark, because an adequate site could have been bought for a dollar. Jersey City was handing it out. Where can you get such a bargain and still maintain progress?

They promised no more new taxes if the bond issues went through. Wasn't this a political gimmick?

The same thing was done with the sales tax - no more taxes. So now we hear rumors of new taxes. And Assemblyman Smith is coming to our rescue. He is forcing the politicians to live up to their promises. Am I happy for you. Thanks to you. At last a politician to take the part of us small people who are giving the money. We can't keep our hands in our pockets. Dollars are not elasticized and we cannot stretch them any more. More power to you and may God give you the strength to carry on.

An income tax in the State would, in all probability,

be used for welfare purposes and thereby add to the general lowering of morale.

We are about the third in spending on education and yet every time a tax is put into effect they use education as an excuse. We are witnessing a complete breakdown of morale, of cities going to waste, deteriorating, and nothing actually being built. We should stop spending from the top and we, in turn, at the local level will be able to carry on because in the end we will all become welfare recipients.

I was just told at the meeting, it is better to go out and come in as a foreigner and land on welfare and you get more in your hands. Perhaps I should start on that.

We should stop spending and giving to foreign aid. We have enough right down South, as the people say, that are without any food or education but yet we are giving to foreign aid. Let's start from the top this time and go down to the bottom because the bottom was never started up. This will be a hardship on all working people and the retired.

We, in Linden, have blue chip industries and yet our taxes should be the lowest and the excuse they give us is progress. But Linden is slowly becoming a ghost town with "for sale" signs. People are losing their homes. One right next door to me with three children who have not anything to eat that I am taking care of. And some are taking to welfare.

We have the sales tax imposed on us and yet we were told by a Senator from down South Jersey that we had enough in the reserve that wasn't touched for ten years to

build up institutions that we needed, they said, for the sales tax.

Government spending is getting out of hand. Somewhere there should be a stop. And, Assemblyman Smith, my hat's off to you. We in Linden respectfully support Assemblyman Walter Smith's Resolution No. 67.

They imposed a tax on cigarettes, gasoline and corporate net incomes were picked up in an effort to avoid raising the State's sales tax. And next year when New Jersey elects a new Governor and all Assembly seats are going to be up for grabs, let's see what these people are going to do for us.

My husband doesn't get the increases at the snap of his fingers when the taxes come up. He has to go on strike and who loses? We. I cannot afford to do it any more. I'm wondering where my next tax dollar is coming from. He's been out of work because of ill health and also because of the strike. Where do we stop? I have to cut down somewhere and surely it's as simple as that with the Legislature. Poor, simple mathematics. We're giving out with one hand and taking in with the other. I was told, any fool can spend but it's the wise one. We deem it that they can take the easy way out by taxing us but why not economize, plan more carefully.

We're for progress, the limp excuse used, but not at a point where the working people will land in the poor house.

I want to thank you for this opportunity. I am not

a highly educated person. I am a poor working woman and I hope that this will be passed for the sake of people in my town for whom I have taken up the cause, with the retired, and I feel sorry for them because many of them are depriving themselves of food which they need to survive. They don't know where their next dollar is coming from. And this, take it from me - I have gone to their homes to see how they live because I actually do fight at the Council. Nobody wants to listen. They think it's a mere joke.

Please believe me that the people - some of the Legislators that come in here, they mean well but not to the extent where they will know at the lower level, they don't get the time actually to do that, they are always in a hurry, in fact, when you want to call any of the Senators or Assemblymen they're busy, they're busy because they have other things to do. I have an Assemblyman from Linden, Gavan, where is he today? He's the one that I attack at the Council. He should be here representing me today. This is his job. This is his job to see that we people are lowering our taxes and he isn't here. I like to challenge him. When I want to get in touch with him, he's never around. This is the spot I'd like to have him in today and I wish I could have that in a recording.

My hat is off to you certainly, Assemblyman - I don't know your name.

ASSEMBLYMAN SMITH: Assemblyman Garibaldi. He is also a Co-sponsor of the Resolution. You have some help.

MRS. MIKSIEWICZ: Well, I did call Assemblyman

Kiehn. He is a Co-sponsor and I had a nice little talk with him the other night. I got him after a three days session. And another Co-sponsor I read is Heilmann who unfortunately is in the hospital but he probably would have been here today. I know he is taking a hand. And I am certain when we vote for these people we have it in our minds that they will represent us, that they will do everything for us, but it seems once some of them get into it they either - if I may use the word, I don't know legally but - are they bought out or are we sold down the drain? This is what we poor people believe. And then we can't get ahead. We can't get ahead nowhere.

One person at the meeting said to me, the other night, I haven't had a vacation in 15 years yet I seem to read - this may be personal but I can't help but bring this out - the politicians, the big ones, the bureaucrats that impose most of these things, they have a vacation every couple of weeks. These poor people, they don't even have enough to live on. And, believe you me they are giving and giving. And the local people, the local politicians are taking it from us and they want to hear nothing. They blame the State. I'm here to the State and I'm glad that I got the privilege to come here. And if it means that I have to go to Washington, I'll go.

Thank you for your courtesy and your attention.

ASSEMBLYMAN SMITH: Thank you very much, Mrs. Miksiewicz.

Next is Mr. Clarence J. Ziegler.

C L A R E N C E J. Z I E G L E R: Chairman Smith and members of the Committee, ladies and gentlemen: My name is Clarence J. Ziegler, Executive Director of the New Jersey Taxpayers Association.

The Constitutional amendment proposed in Assembly Concurrent Resolution No. 67 would add the following sentence to the tax clause of the Constitution;

> "The Legislature shall have no power to lay and collect taxes on personal incomes derived from any source whatever."

The amendment if enacted could have a serious effect on New Jersey fiscal policy.

Our Association has considered the amendment from the viewpoint of fiscal management, not from the aspect of whether New Jersey should or should not have a personal income tax per se.

We have concluded that the amendment does not represent sound long-range, enlightened fiscal policy.

Recent studies and evaluation in New Jersey and nationally have pointed out and criticized weaknesses of our federal-state-local system of government. Many of these are rooted in State constitutions. Political scientists, various governmental officials, as well as business and labor leaders, have consistently recommended removal or exclusion of various limits on the Legislature's power from Constitutions, Among several limitations warned against, as impairing development of legislative self-reliance, autonomy and integrity, are those curbing the taxing power.

A summary of Constitutional restrictions in the various states shows that:

1. The Constitutions of two states, Florida and Tennessee are considered to specifically prohibit any state income tax whether flat rate or graduated.

2. The Constitution of only one state, Michigan, has an explicit prohibition against graduated income taxes. Michigan voters rejected an amendment which would authorize a graduated income tax on November 5, 1968.

3. The Constitutions of five states -- Illinois, Nevada, Pennsylvania, Washington and Wyoming -- are subject to some degree of uncertainty as to the authority of the Legislature to impose either a flat rate income tax, or a graduated income tax, or both taxes.

4. The Constitutions of the other 42 states are interpreted to permit income taxes either by explicit provision or, in the absence of any specific restriction, by implication that such a tax is within the broad powers of the Legislature.

The framers of New Jersey's 1947 Constitution did not see fit to impose limitations on the taxing powers of the Legislative branch. Although the income tax was considered during the Constitutional Convention, little sentiment appeared for imposing drastic taxation restrictions on the Legislature of a State which at that time did not levy either a general sales or personal income tax.

The following testimony from the Proceedings of the 1947 Constitutional Convention may be typical of the general attitude concerning the content of a Constitutional tax clause during the deliberations at that time.

> "To my best recollection, the Commission on Constitutional Revision, after long and serious deliberation upon various and sundry tax provisions which might be written into a constitution, concluded that the less said about taxes in any constitution, the better. In fact, I ofttimes feel that the whole subject should be left open to the Legislature so that New Jersey will be in a position to meet the post-war era and the difficult new order which is ahead without jeopardy to the more essential processes of free government."
>
> Statement by Robert C. Hendrickson, State Treasurer.
> Source: Constitutional Proceedings, Vol. V. p. 599.

Short-sighted and Unreasonable Fiscal Policy

The Legislature only this year authorized bond issues totaling $990 million for various capital purposes which were ratified by the voters. In addition a variety of new programs were enacted including a major program measured in terms of future cost -- medicaid. Many other spending demands are facing the Legislature. In view of the aforementioned facts, action to limit the State's future ability to finance debt service and operating costs arising from the bond programs, together with other cost commitments made in new 1968 legislation, as well as that of previous years, seems to be short-sighted and unreasonable.

Inconsistent Fiscal Policy

The proposed amendment would make illegal in the future a tax on personal income, a type of tax enacted in this State and in effect since 1961 and currently yielding about $13 million annually. We are referring to the Emergency Transportation Tax (Chapter 32, Laws of 1961), a graduated tax on the income of New York residents employed in New Jersey.

Further, the amendment is directed at only the revenue side of the State finances, without consideration of spending needs or placing of related limitations on spending. Enactment would constitute a declaration that future spending increases would be financed only from existing tax sources -- principally sales, excise, corporation or property taxes. These taxes have never been subjected to the restrictions proposed for personal income taxes.

Transfer legislative responsibility to voters

Tax and expenditure policies are the primary responsibilities of legislators. To delegate the responsibility for decisions on taxes, we believe, is an evasion of the task for which a legislator is elected.

One of the country's outstanding state finance officers said the following on the question of what a State Constitution should say on the subject of taxation and finance:

> "In its simplest form, the problem of what to include in the article on taxation and finance is a test of one's belief in our system of representative democracy. It is difficult to reconcile a position demanding a series of constitutional prohibitions or limitations upon the legislature's exercise of discretion in respect to taxation and finance with a real belief in democracy. Those who argue for constitutional checks are admitting a lack of belief in the capacity or desire of the elected representatives of the voters to establish and maintain an adequate and equitable system of financing public expenditures." (1)

(1) Frank M. Landers, "Taxation and Finance," Major Problems in State Constitutional Revision, W. Brooke Graves (ed.) (Chicago, Public Administration Service, 1960) pp 225-226. Quoted by Edward M. Kresky, "Taxation and Finance". Salient Issues of Constitutional Revision, John P. Wheeler, Jr. (ed.) (New York. 1961) pp 136-137.

Voter action unpredictable

Although it is unnatural for voters to approve taxes on themselves, oftentimes the unexpected occurs.

Nebraska voters in November of this year, rejected an initiative petition for a constitutional amendment to prohibit the imposition of a state income tax, a tax which had been in effect since January 1, 1968. Meanwhile, Massachusetts voters which pay a flat rate personal income tax rejected a graduated income tax.

In conclusion, we reiterate our opposition to the proposed amendment as contrary to accepted modern constitutional principles and a sound fiscal management policy.

Thank you for the opportunity of presenting this statement.

ASSEMBLYMAN SMITH: Thank you, Mr. Ziegler.

In referring to your statement on page 3, at the bottom of the page, you refer to the tax that is yielding thirteen million, the emergency transportation tax. My understanding is there is a strong question as to the legality of tha tax at this time. Do you agree with that?

MR. ZIEGLER: I understand there is a question but it has never been tested.

ASSEMBLYMAN SMITH: So, with that in mind, this might just clear the air a little bit.

MR. ZIEGLER: Perhaps that might be so, but the fact of the matter is that it will be thirteen million dollars less in State revenues.

ASSEMBLYMAN SMITH: Yes, sir. I understood that when I introduced the resolution. Thank you, Mr. Ziegler.

Mrs. Lucille Young. Is she present?

L U C I L L E Y O U N G: Chairman Smith, my name is Mrs. Lucille Young, and I am Secretary of the Property Owners Protective Association of Somerville, New Jersey.

The taxpayer is fast becoming the forgotten man. We must face facts. Let's start with the political carrot that was held out to the taxpayer with the promise that there would be one or the other - a sales tax or an income tax. We were promised if it were a sales tax, the property tax burden would be reduced.

Chairman Smith, I would like to point this out. I think so few people, particularly housewives, recognize this point: The shopper pays five to six cents - now this is the average shopper too - pays five to six cents on the dollar when she goes into five or six different stores and spends seventeen cents. Now let us put the sales tax to work and forget an income tax for New Jersey by passing Assembly Concurrent Resolution No. 67. We join Thomas Jefferson when he stated, "A single good government is a blessing to the whole earth." We in New Jersey are proud of our Legislature and beg of you to keep this a free country by helping the forgotten man, the taxpayer, to remain a free and independent citizen able to meet his taxes and still live but not by crippling welfare aid from the State but by his own honest efforts.

The Property Owners Protective Association of Somerville, New Jersey, is against an income tax in New Jersey, and I want to thank you for this public meeting and for your courage in sponsoring this resolution.

Mr. Chairman, am I allowed a question?

ASSEMBLYMAN SMITH: Yes. You're going to question me, I guess.

MRS. YOUNG: No, I'm not going to question you. Well, yes, I am going to ask you how many legislators are here in this gathering? How many of our representatives are here?

ASSEMBLYMAN SMITH: Assemblyman Garibaldi and myself.

MRS. YOUNG: You two. And the sponsors of this bill - there were fourteen, aren't there?

ASSEMBLYMAN SMITH: Well, there are about seventeen.

MRS. YOUNG: And this was on November 22nd?

ASSEMBLYMAN SMITH: Well, there were some additional ones since then.

MRS. YOUNG: Thank you very much for this opportunity for free speech, Mr. Chairman.

ASSEMBLYMAN SMITH: Thank you very much.

Mr. William Lovejoy?

W I L L I A M L O V E J O Y: Chairman Smith, my name is William Lovejoy. I am President of the Jeffersonian Society of Somerset and Hunterdon Counties.

Much of what has been said previously here sort of fits in with our feelings on the subject of being opposed to the imposition of an income tax on the taxpayers of the State of New Jersey. We advocate the proposed amendment to the Constitution prohibiting the Legislature to have the power to lay and collect taxes on personal incomes derived from any source whatever be adopted. Therefore, let's adopt Assembly Concurrent Resolution No. 67.

We are most happy to know that at last we have some representatives at Trenton in the Assembly who are sympathetic to the beleagured taxpayers and want to do something to constructively aid everyone concerned. We thank you, Assemblyman Smith and your colleagues, for your introduction of ACR 67. Thank you very much.

ASSEMBLYMAN SMITH: Thank you, Mr. Lovejoy.

Mrs. Margaret Nylander.

M A R G A R E T N Y L A N D E R: Assemblyman Smith and other honored guests, my name is Mrs. Margaret Nylander; I am from Mount Holly, and I am speaking as a citizen, a middle-class citizen, who is being taxed to death. I have heard the word "democracy" mentioned, and I would bring up the point that our present form of government is a representative republic and not a democracy. There are representatives in the State in all levels of government - in the municipal, county, state and federal - who believe that they are chosen to do what they think is best, not to act as representatives of the people.

I spoke to Mr. Smith last night thanking him for this act, that he is truly representing the people of his area. Since we are operating under a representative republic, I see no reason why the people should not be asked if they want an income tax. Therefore, I would support Assemblyman Smith in his resolution ACR 67 to prohibit an income tax without a public referendum.

The State continually has been creating more agencies, the agency of the Higher Education Committee, etc., which

may or may not be necessary, but in the creation of these additional agencies comes the added cost of maintaining the agencies themselves, plus the money they spend. This income tax, of course, would affect those on fixed incomes who have in the past invested their money wisely and are getting their return from their investments. It would tax them very greatly, and the need for economy in government should be brought out too. I think that government can cut down on existing programs, eliminate additional programs, and I think, rather than creating more agencies and groups and ways to spend money, they should try economizing for a change.

I thank you very much for this opportunity to speak.

ASSEMBLYMAN SMITH: Thank you, Mrs. Nylander.

Colonel Charles McCray, Burlington City.

C H A R L E S M c C R A Y: My name is Charles McCray; I live in Burlington City and I speak for the Conservative Club of Burlington County, which is, incidentally, a non-political, non-partisan group. We have Democrats, Republicans, and Independents as our members.

Personally I want to make this statement: I am very proud of New Jersey. For many years, we operated without the sales tax and without an income tax, and everybody bragged about it. We had good roads, many good schools of higher education, and a good welfare program in the State, but we also had fiscal responsibility. We were living within our means. It was such a good place to live. in New Jersey, that over the past thirty years we have seen

a great influx of industry and of people escaping from other states who are being taxed to death. That has accounted for our prosperity here. But there seems to be something wrong with the picture where you find a lot of people coming into the State - we are now the most densely populated State in the Union - and it seems the more people we get, the more industry we get, the higher the per capita tax. You would think rationally or logically that it should go the other way, that when more people get together the per capita tax should be a little less, but instead of that it keeps growing, and the excuses are always the same - that we have to spend more money for more things. If these large industries that we have and the large population that we have are creating high tax rates, possibly the State Conservation and Development Bureau shouldn't encourage people to come here so far. Maybe we could stop and catch up with ourselves. We will soon be on a par with these other States that people are escaping from. They will say, "No use going to New Jersey; their taxes are just as high as where we now live." It's not a very attractive picture if we are going to build a State no better than it is.

Prior to election, we always get promises of "No new taxes." But always, after the election, pressure groups ask for more money for their own particular purpose, and naturally the Legislature becomes individually and collectively on the spot because of the human tendency "The wheel that squeaks the loudest gets the most grease," and unless the public in general has a "say," they may think the opinion of the people is that we should have more taxes and more services and more spending

and better buildings and more bearings - tear down the old and build new.

I think there could be a little more fiscal responsibility if it was left to the people. Now this bill that I approve of and that the club to which I belong, the Conservative Club, approves of, allows the people to consent to being taxed by referendum. And I think the people in general, the taxpayers, the voters, should be allowed to vote on how to spend their own incomes. The State should not be asked to support all local affairs. I think that if the local communities would take over their own operation, as they used to do, the State wouldn't have to have so much money to run the State and then hand it back to the local communities, but let it stay in the communities and let them govern their own affairs.

One of the previous speakers - I have forgotten his name; I didn't catch it - spoke about the federal income tax. There has been an amendment - I don't know whether he said this or not; I didn't catch all that he said - but there has been an amendment proposed to the Constitution of the United States to abolish the income tax. This requires, of course, the support of three-quarters of the States. So far, seven of the States already ratified this amendment to our United States Constitution to abolish the income tax.

There is a growing tendency to believe that they should not have an income tax but let the people vote on what they should have in their own communities and spend their own income.

We are definitely in favor of local government and local spending and local taxing.

Thank you very much.

ASSEMBLYMAN SMITH: Thank you, Colonel.

Is there a Mr. M. J. Grubelich, North Plainfield Taxpayers group, here? (No response)

Mrs. Floyd S. Merchant, Hunterdon County Citizens and Taxpayers Association.

M R S. B E T T Y Y A R D: Mrs. Merchant was unable to attend so I am here representing her. I am Mrs. Betty Yard of Flemington, New Jersey, Hunterdon County.

[Reading] On behalf of the Hunterdon County Citizens and Taxpayers Association, I wish to support Assemblyman Smith's proposal to allow the voters to amend the New Jersey State Constitution so that it explicitly outlaws the introduction of a State income tax.

Every powerful segment of the population has a lobby. But the biggest segment of all - the taxpayers - have no lobby and are either ignored or ridiculed by government officials. But now, at last, Assemblyman Smith has taken up the sword on our behalf and he deserves the greatest praise and encouragement for his action. If all those who keep extolling the benefits of democracy really believed what they said, it would not be necessary to fight to allow the citizens to vote on this issue. Now, however, every honest legislator has a wonderful opportunity to demonstrate that he is sincerely dedicated to representing the will of the people.

It should be obvious why a State income tax is bad, but nowadays the public is bombarded with so much deliberate deception and cynical double talk by government propagandists that it is necessary to state loud and clear the plain truth. First of all,

our State Government bureaucracy is so riddled with inefficiency, extravagance and corruption that it cannot make ends meet even though it has millions of dollars more than it needs to fulfill its obligations to the citizens. Secondly, an income tax victimizes the most productive segment of the population, the average wage earner. Thirdly, the horrible example of other states and the federal government proves the inescapable fact that once an income tax is introduced, it is there to stay - a permanent millstone around the peoples' necks.

As it is at present, the citizen cannot place any trust in the efficiency, judgment or integrity of the State government machine. Testifying under oath before the Senate Law Enforcement and Public Safety Committee a few months ago, Professor Robert Blakey of Notre Dame University stated that New Jersey has one of the "worst problems of official corruption on all levels" in the nation. Professor Henry Ruth of Pennsylvania University stated on the same occasion that "There's enough corruption in New Jersey that organized crime can get most anything it wants." So far nothing has been done to remedy this situation, and past experience makes us fear that nothing ever will be done. After all, there are too many powerful forces working against honesty in our society! This makes it imperative for every honest legislator to do his utmost to stem the growth of corruption by making sure our State government never gets its hands on that most potent of money-making tools - an income tax.

Apart from the problem of widespread corruption, the taxpayer is unable to trust our present government officials to spend our money in our best interests. In spite of the

hundreds of millions of new tax dollars which have swollen the government's pockets over the last two years, we were still told that it could not provide us with adequate services without the aid of a monstrous collection of bond issues. While we are told on the one hand that there is not enough money in the regular budget for necessary highway construction, $13.1 million is readily found to lavish on the questionable new Department of Community Affairs. The openly-avowed aims of this Department are to prepare for the day when all remaining powers of the citizen to have a say in the running of this community shall have been drained away from him by confiscatory taxation. Then Mr. Ylvisaker and his "experts" mean to come along and run our lives for us. Since he and his cohorts are appointed, we will not be able to vote them out of office. An income tax would hasten the day when Mr. Ylvisaker could come into his kingdom.

Furthermore, we are told that there is not enough money to provide adequate educational aid in the State. Yet Governor Hughes sees nothing unethical or extravagant in spending $154,000 of education funds on a tax-free residence for Chancellor Ralph Dungan. When questioned on this expenditure, the Governor merely replied that this purchase was a good investment. Since when is it part of government's job to speculate in real estate? Now more such purchases are planned, including a new home for the Governor himself. While rising property taxes are forcing senior citizens out of their homes, the Governor sees nothing wrong in spending our money on a new house for himself. Is the splendor of his office now so dazzling that his present residence is not grand enough to house him?

An income tax would not only increase government power, extravagance and corruption, but it would also spell disaster for the average wage earner. The so-called fairness of a graduated income tax is a big lie. Those who earn the most are able to get out of paying the most. Their lawyers and accountants make sure they exploit every possible loophole in the law. Then, by placing the main financial burden on the lowest paid members of the population, growing inflation is assured. The inevitable increased wage demands cause high prices to spiral still higher, and so the State and the country rush ever more insanely close to bankruptcy. We have had enough. There is just so much of this kind of insanity that a nation can take. It is urgent now to stop up the dike before the ocean of ruin rushes in to engulf us all.

It is a strange thing about taxes. They are a one-way street, down which we never return. Once government is given permission to dip its hands into our earnings, the power and riches that this brings to it only increase its insatiable appetite for more. And this is not all: An income tax also brings with it still another repressive government agency, empowered to pry into citizens' lives and to throw them behind bars. John Stuart Mill, in his famous essay "On Liberty," said that a powerful government bureaucracy, even if composed of the most able members of society, is nevertheless bad, because it deprives the individual of all liberty and initiative. In the American Republic, government was intended to serve the people. Nowadays, the people serve government. If we once allow an income tax in New Jersey, we shall not merely be the servants of the State but well on the way to being its slaves.

The taxpayer of New Jersey will stand for no more. It is bad enough to have his hard-earned money taken from him, but when his few remaining freedoms are also taken away, this is the end of the road. He might just as well emigrate to Czechoslovakia.

It is no use trying to excuse having a State income tax by saying that other states have one. If my neighbor has Hong Kong Flu, is that any reason for me to go out and catch it? Let us immunize New Jersey once and for all against the disease called income tax. The Governor and his rich friends on the "Bonds Yes Committee" promised us that voting for the bond issues would mean that no new taxes would be needed. Let us now make them stand by their word and prove to us that they meant what they said.

Thank you for the opportunity of appearing here.

ASSEMBLYMAN SMITH: Thank you, Mrs. Yard.

Mrs. Harry Christiansen of Plainfield.

G E R T R U D E C H R I S T I A N S E N: I am Mrs. Christiansen of 738 Kensington Ave., Plainfield. I am Chairman of the Taxpayer's Association of Plainfield.

Gentlemen, on behalf of the Taxpayer's Association of Plainfield, I wish to thank Assemblyman Walter L. Smith, Jr. and all of his co-sponsors of Assembly Concurrent Resolution 67 for having the fortitude to introduce this resolution. Truly they are friends of the taxpayers of the State of New Jersey. They have the foresight to see what is ahead for us and the backbone to try to protect the taxpayers from future legal pilferage of our pocketbooks by the long arm, sticky fingers

of an over-greedy extravagant State government.

In 1966 the voters of this State should have been given an opportunity to vote on a choice between a State income tax or a State sales tax. If this had been the case our organization would have urged the support of an income tax over the sales tax. Low-income or poor families are the hardest hit by taxes. Retired persons living on small pensions, sometimes supplemented with savings, would most likely have been excluded from paying an income tax, whereas a continuous bite is being taken almost daily from their limited or fixed incomes with the sales tax. Since we all are burdened with the sales tax in spite of the near rebellion of the taxpayers at that time, our organization must now exert all force to avert an income tax.

Nationwide as well as Statewide, the taxpayer has reached the saturation point and again I reiterate that the poor suffer the most. According to U. S. News & World Report of December 9, 1968, the $5000 to $7000 per year family pays a total tax of $1,980 per year, which is 33 per cent of their annual income. Of all the income brackets, there are more people in the $5,000 to $7,000 per year bracket than any other one.

According to the same U. S. News & World Report article, the real bite of today's taxes tends to be obscured by the federal income tax which hits hardest at the middle income and high income groups. People in low income groups are hit harder by property taxes. The cost of housing is so high that people of modest means have to spend a greater share of their

incomes on a place to live.

Since I represent the taxpayers of Plainfield, I will now get to facts and figures dealing directly with Plainfield.

In 1966, when the sales tax was enacted with the promise that it would relieve the property owner, Plainfield's tax rate was $6.73 per each $100 of assessed valuation. This jumped from $6.42 per hundred in 1965, the year we had our revaluation program. The 1967 tax rate was $7.84 per hundred and in 1968 it was $9.11 per hundred. So you can see that the sales tax did not relieve the Plainfield prop erty owner. Nor did it relieve any other New Jersey property owner. From the rumors I heard around City Hall in Plainfield, the local taxpayer can expect an increase of approximately 20 per cent, which would bring the rate close to $11.00 per hundred. This would be above the $10.58 per hundred rate we had in 1964 just before our revaluation program.

We almost can't see or feel the help the State gives back to us from the sales tax money, but we have suffered through other losses of tax revenue to the State.

In 1962-1963, the personal property of water companies was frozen through the New Jersey Legislature. Of course, this was done for the special interest and benefit of the water companies in New Jersey. The local municipalities suffer the loss of the water companies' expansion programs.

In 1966 all second-class railroad property was frozen at the 1966 level,-- more loss of tax revenue to local municipalities.

Starting in 1968, the business personal property tax was paid to the State with a fixed amount going back to the local municipalities. Since this amount is fixed, we have

become stagnated in this area as we don't and won't share in the growth of local business.

All of this has added to the chipping away at our local tax base to such a degree that we are headed for serious problems in Plainfield.

A recent check I made with our local tax collector showed that collected taxes in Plainfield have dropped since 1962. In 1966 (the sales tax year) the percentage of current taxes collected was 95.78. In 1967 the percentage of current taxes collected was 95.14. I can promise you the figures will be lower this year and I will substantiate this. At the 1967 Plainfield tax sale, there were 40 parcels for sale, of which ten went to the city. At the 1968 Plainfield tax sale held on December 10th, there were 39 parcels for sale and 26 went to the city.

I'm sure Plainfield is not the only city with these problems. Certainly there are others our size or larger who are suffering from the State's big brother attitude along with us.

What else has the State done to add to the tax burden of the suburban as well as urban communities?

Let's not forget how well the 1968 New Jersey Republican-controlled Assembly and Senate did its job last spring when it passed A-816, A-817 and A-818, which brought about increases in the gasoline tax, cigarette tax and corporate income tax, and I might add that they will continue to legislate increases in these taxes, even if they do add the income tax in the near future.

And last, but by far not the least, the voters of New Jersey were allowed to vote on three separate bond questions last month after several months of the brain-washing slogan "BONDS YES - TAXES NO." The results of that election are well known to us all. Now who is going to see that the promise of no new tax is kept? Certainly not the politicians! They don't want to commit themselves to such a hot issue. They know, yes they all know, that various special interest groups with a lobbyist will soon be pressuring them for more spending programs. The time has come for all the taxpayers to organize and get themselves a lobbyist and to stop being the sucker who pays for every give-away program that comes along. Perhaps we need more women to run for legislative office. With inflation running wild, we women have learned how to control our household budgets and how to cut out all unnecessary spending.

As taxpayers with no special interests other than the fact we want to be able to hold onto our homes and we want to see our city of Plainfield stand solidly on its own so that it might flourish, then blossom out proudly and regally regain its lost title as "the Queen City," we urge that the question of NO INCOME TAX go to voters of New Jersey.

As Chairman of the Taxpayer's Association of Plainfield, which has slightly more than 500 members, I will pledge their support and will make every effort to get out a favorable vote if the Legislature passes this resolution.

Thank you kindly for the opportunity to speak before this Committee. I would like to add a couple of comments.

I could sit here all day and discuss with you the problems we have in Plainfield. Many of them are stemming from the State. We are being faced and are sitting with an urban renewal project that is costing us a considerable loss of tax money. We have a future project planned and it's all coming in with the help of the Department of Community Affairs which is a cabinet post that was set up purposely for this to work with the federal government. This is the kind of thing that is slowly, slowly killing towns like Plainfield, Elizabeth, Rahway, and some of the older communities. It is time now that we stopped some of this nonsense, and I don't know how else we can do it but to put our foot down, and I certainly appreciate the fact that you gentlemen have had this hearing and I would like to keep you informed as to what goes on in Plainfield at future hearings on different subjects.

ASSEMBLYMAN SMITH: Thank you very much.

Mrs. Helen Casey, Bridgewater. Is she here? [No response]

Miss Gertrude Unsel?

G E R T R U D E U N S E L: Assemblyman Smith, members of the Committee, my name is Miss Gertrude E. Unsel, 131 Hamilton Avenue, East Paterson. I am Publicity Chairman of the East Paterson Homeowners' Association, and Publicity Chairman of the Bergen County Conservative Club, but I am speaking as a commuter paying a New York State income tax and a New York City income tax. I thought it was worth while losing a day's pay to come down here to support Resolution No. 67.

We point with pride to the fact that New Jersey had a Constitution and a bi-cameral legislature before the Federal Government was formed. We lift our heads in pride too that the New Jersey structure of government served as a model for the construction of our National Government with its Senate and House of Representatives. Today, New Jersey once again stands on the threshold of becoming the pointer, the compass, to steer not only our own State but many states and the Federal Government itself back to the road of fiscal sanity and a sound economy.

Resolution No. 67 is the first step in this direction, the first step back from the edge of the cliff beyond which lie chaos and financial ruin. This protection against the imposition of a State income tax will provide the incentive for many commuters now burdened with taxation without representation by the State and City of New York. Undoubtedly great numbers of these people will seek employment in New Jersey after being assured that they will be free from such tax. I know that I, for one, will do so. This protection against an income tax will also serve to attract more businesses to locate here, because the collection of income taxes by firms adds to the cost of their operation. Consequently, location in New Jersey without an income tax will substantially reduce this unproductive cost for them. More businesses and more employees will not only help our unemployment situation here but the earnings of the additional workers spent here will also increase and nourish the economic health of the State.

As always, the spenders will cry "How can we carry out our programs without additional funds?" Yes, how indeed?

The solutions to our problems depend not on our stepping ever deeper into the quicksands of debt, but rather on exploring ways to extricate ourselves from them. Obviously, the expanding gravy train will have to be curtailed. Among these, I suggest first of all the elimination of the Department of Community Affairs, which interferes and impedes in the operation of our municipal and county government. The eminent Mr. Yldisaker can always go back to his old job at the Ford Foundation at a higher salary too.

The enormous Department of Conservation and Economic Development should be cut back. too. With lower taxes and a guarantee against an income tax, economic development can proceed to private initiative. The Legislature should also study the gigantic State Highway Department with a view to stopping the waste of our tax dollars on too much bureaucracy and too little road improvement.

The sponsors of this Resolution No. 67 are to be commended. At the meeting of the East Paterson Homeowners' Association next Wednesday, I shall request the organization to endorse this legislation. The bond issue was passed on the lie that it would prevent new taxes. The sales tax was passed on the lie that it would relieve property taxes. The income tax does not and cannot solve New York State's or New York City's problems. It will not help New Jersey's either.

Thank you.

ASSEMBLYMAN SMITH: Thank you, Miss Unsel.

Mr. Jack Murphy.

J O H N C. M U R P H Y: My name is John C. Murphy from Cinnaminson. I represent merely myself as a beleagured taxpayer.

Mr. Chairman and Committee members, may I remind you gentlemen that when the federal income tax was imposed by the people of the United States by the passing of the Sixteenth Amendment, it was pegged at about two per cent, and some wary Senator who proposed that a fixed rate of taxation be included in the amendment was hooted down with the statement that "It will never get any higher." As we all know, it has been a progressive income tax and today I think the maximum rate is somewhere around 92 per cent. Very few of us pay that, but that's how high it can go.

A state income tax will merely be another means of adding dollars to a wasteful fiscal operation. The tremendous increases in welfare costs, unneeded welfare costs, will merely be the drain down which the tax dollars would fall.

I have to agree with those who spoke here before me that a return to sound fiscal responsibility not only by individuals but by the government is what is needed here rather than leaving an opening to just taking more of the citizens' hard-earned income.

The Federal Government, and I believe our State governments too, were originally set up to do for a man only what he could not do for himself. We seem to have forgotten that there is such a thing as individual responsibility, and we are looking for government to take care of us from the cradle to the grave. We can see by what is happening today in our nation that we are rapidly becoming a welfare State and the

allowance of a state income tax, I am sure, would merely add to that situation.

May I congratulate Assemblyman Smith and his colleagues and co-sponsors for having the courage to introduce such a resolution, and I can assure you that I, and believe me, sir, many other individual citizens are firmly behind you and will give you all the support we can. Thank you.

ASSEMBLYMAN SMITH: Thank you, Mr. Murphy.

Are there any others who wish to be heard today?

M R S. R O B E R T D U D L E Y B R E A R L E Y:

I wrote to you gentlemen but evidently you didn't receive my letter.

ASSEMBLYMAN SMITH: What is your name?

MRS. BREARLEY: Brearley.

ASSEMBLYMAN SMITH: I may have mislaid it. I apologize.

MRS. BREARLEY: That's perfectly all right.

My name is Mrs. Robert Dudley Brearley, Pattenburg, New Jersey. I am here in behalf of the New Jersey Taxpayers Federation, recently formulated, with "thirteen counties" having representation, an individual taxpayers group uniting together as a statewide organization. As taxpayers we wholeheartedly support the proposals put forth by Assemblyman Smith to amend the New Jersey State Constitution so that it could outlaw the introduction of state income tax. We, the taxpayers of the State, fully realize the importance of organizing a statewide taxpayers group to act as a bargaining agent on all tax matters that directly affect every taxpayer in our State.

I am certain, gentlemen, that there would be many more taxpayers groups here today except that this was such a short

notice that many of these groups did not receive the information on time to make arrangements to come.

We are indebted to Assemblyman Smith for this opportunity, as concerned taxpayers, to present our opinions before your Committee in hopes that the "taxpayers who are paying the bills for every level of government" will have a voice in the outcome of the proposed income tax added burden on the two and a half million taxpayers of our State. As you well know, the population is seven million, so you can see that one-third of the population is paying the taxes for the local, county, state and federal levels of government. They who are carrying these burdens must be considered in the overall picture of taxation at every level of government and the debts that go with it. This obvious imbalance of three million taxpayers, or approximately two and a half, can have drastic results on the economy of our country if it continues at the rate it is going. Therefore, we cannot afford to strangle the producing taxpayers by coddling the nonproducing people of our State by levying a proposed income tax.

It is clearly evident thay our elected representatives must make every effort to avoid this disaster and take immediate action to eliminate this proposed tax burden on the already overburdened taxpayers of our State, for, as the tax demands continue to soar at every level of government, we are swiftly reaching the confiscatory level of taxation, only to see bonded indebtedness and added costly interest charges at every level of government despite the annual moneys that are taken in at every level of government. Some immediate action is necessary to defend our

inflated "tax-ridden and debt-ridden dollar" before we permit our currency and country to become bankrupt just as other countries have recently experienced, as we all know.

Since our state-elected representatives hold the tax purse strings, we then urge that they set up a tax committee of three to keep our legislators informed throughout the year of the tax intake, its debts, its interest charges and the outgo of every tax dollar for every appointed department, agency and authority in our State. They, who are responsible for the spending of our hard-earned tax dollars, have this responsibility to the people they represent. This liaison team could be an asset to the legislators long before the State appropriations annual hearings commence, and could result in saving the taxpayers of our State millions of tax dollars each year.

The goal of the Appropriations Committee should be to cut the State spending and its debts by 10 per cent a year, taking effect immediately. That is where their demands should be focused, not on the taxpayers but on the appointed job holders in the State government. Any appointed public job holder that could not manage on such reduced budgets should be fired. This positive approach and definite action by our elected representatives, who are responsible to the voters, could result in vast tax savings annually to the taxpayers of our State, these taxpayers who must get up the annual tax demands for 567 municipalities, 578 local school districts, 21 counties, the state government and federal government. These are the same two and a half million taxpayers we are referring to. These total

billions of dollars a year - billions - plus billions in interest charges in depth, to say nothing of the bonded indebtedness at every level of government.

We can only hope that the taxpaying stockholders of our State will not strike, riot, march and hold back on their taxes as many other factions have done, in order to get their demands. Should the poor, weary, struggling taxpayer ever decide to revolt, our government would be in an economic crisis, and unparalleled chaos would result. This we cannot afford. The havoc would be disastrous to our free economy, to our country. Yet the taxpayers also have a point of endurance which must be considered by your committee and by every legislator in the State.

We urge that your Committee see fit to have annual fiscal facts on the local, county, state and federal taxes compiled and printed annually so that the taxpayers of the State would know what they have to pay each year, how much we are in debt for on the over-all picture, to be evaluated by these taxpayers so that they will know where they are going the following year. This could be simply done by this so-called Committee of three that I suggested would be handy to the legislators and, through them, the legislators could make these reports and a law should be passed wherein the local and county are also forced to do the same thing, as well as the Federal, for one reason. Only in this way can we ever come to the point where we might have a tax reform by knowing the physical facts, knowing the debt of our country, as well as the foreign debts of our country, because we do know the balance of payment of debts has us over a barrel; we do know that our dollar is inflated and the

purchasing power is down about 38 cents, and we are faced with a fiscal crisis at every level of government, not only the State. These reports should be sent to all major newspapers of the State so that the taxpaying stockholders can readily evaluate these tax costs and the depth therein.

They certainly have a right to these vital fiscal facts in order to weigh and meet the tax demands made on them by their representatives at every level of government. Perhaps out of this may come a tax reform change - we hope.

We certainly have a right to all these facts, and it would be much simpler if our legislators provided us with this information rather than forcing the weary taxpayers to search them out themselves. It is not our obligation; this is our legislators'. This could be done by each legislator representing each district in their State to go back and tell the people they are representing just exactly where we stand financially. It is a very, very important issue, much more so than the Highway Department, or the Community Affairs Department, or the Health Department, because if we ever face an economic crisis it would be much more disastrous than a poor highway, I'm sure.

We have yet to see a list of names of the people who are supposedly demanding all these numerous so-called government services. This we hear from many of the politicians - this one wants it, that one wants it, and the other one wants it. If we have never seen the list, it would be quite interesting to have our legislators provide us with some of these letters and lists of things that the people want, and

I'm not talking about welfare people. I'm talking about people in general, particularly about the taxpayers who are paying the bill. How much do they really want? or are our representatives espousing what they think they want? I think we might here draw a very narrow line and define who is wanting all these services, and out of this might come some very valuable information.

Must our elected representatives make the tax-producing two and a half million residents of our State "slaves of the State"? This is a very pointed question. Must we? They are. Therefore, we must protect them, because without this source no government could function.

As taxpayers we urge our elected representatives here in Trenton to work diligently to eliminate the vast millions of non-producing taxpayers instead of trying to burden the same struggling taxpayers with an income tax on their income. One way would be to force the fathers to meet their obligations to their children re welfare, A.D.C. and all the other programs, OEO, or whatever the case might be. I think your duty here is to find ways and means to force these parents, father and mother, to meet their obligations rather than to condone and permit the taxpayers' money to be used for prostitution, which of course you do know exists, because you wouldn't have all these illegitimate children on the tax rolls. So, therefore, I think here you have a moral responsibility rather than to force the taxpayers to pick it up, I think your obligation also lies in forcing these people to meet their obligations and become producers and take some of these people off the tax rolls.

What will happen should a depression or recession come? If we take a quick look at the welfare costs of the state, county, local and federal levels of government, as well as all the other programs it encompasses, it is worse today than it was in depression times. And this I am sure you gentlemen are aware of. We must do something about it, because we can't keep up at the pace we are going. The taxpayers can't afford it.

The O.E.O. costs and the Community Affairs Department costs, speaking as a taxpayer, we feel certain that our local and county elected who are on our payroll can readily take care of our community affairs without this invasion force infiltrating into our local municipalities. Hence, I would suggest that the legislature abolish the Community Affairs Department as of next year and eliminate the federal money that comes in regarding the setup for this purpose. This might then reduce the budget to ten or fifteen some million dollars, plus the bonds that they float in their department if you, our elected representatives, have the courage to eliminate this costly tax burden off our tax bills. It's that simple. I understand it almost was abolished last year, but somewhere along the line was lost.

Our 567 local municipalities, which encompasses our 578 local school districts and 21 counties, would not have to surrender to the State in order to get some of our tax dollars back, if our state legislators saw fit to repeal the bills that were passed enabling the State to siphon off our vitally-needed local tax ratables; i.e., the railroad Class II property taxes, the business personal property tax, the unincorporated business personal

property tax. These millions of dollars help the local municipalities meet their obligations. Once you drain this money, you forced the local property taxes up $173,000,000 last year, despite the fact you got $218,373,567 in sales tax money. Now I think if this money was left at the local level by the repeal of these, you wouldn't find the local municipalities coming down here and demanding more, which would, of course, reduce your budget. So, therefore, I think you might take some positive action here and repeal these bills and put the money back where it belongs, because the cost involved for this "round robin" type of action to get it back reduces the amount that you took in originally. So if you left it where it was - and it was helping the local property taxpayers; there is no doubt about it, because you can see where it jumped immensely since then - so I think here is another very good point that you gentlemen may consider very seriously, because you do know that the local municipalities are hard hit; you do know that the costs have gone up. You are well aware of this, you people live in municipalities. So, therefore, as a State representative, I think here you might take some immediate positive action to repeal these bills so that the local municipalities will not be forced to come to the State or the federal government for additional educational moneys.

Now I might make a point here that there are 1,375,000 pupils attending public schools in the 578 school districts, and the local property tax for these schools, for these students, runs close to a billion dollars a year. That is without the State and federal moneys coming in - close to a billion for

1,375,000 pupils. So when people say that the taxpayers have not done their utmost for the children, their education, this is a falsehood and should not be permitted by the legislators representing us, whether it's state, local, county or federal. I think here you should defend the taxpayer if you stop to total what we have spent on these different items. When we are talking a billion dollars and two and a half million people are getting these moneys up, you know well that they are bleeding dry to give you all the taxes that are required to run government. So, therefore, I think you should defend the taxpayers because I have yet to see a politician defend the taxpayers at any level of government. They will defend everybody else. All you have to do is march and you'll get it. But nowhere do we see a politican coming out and defending the taxpayers. They are paying the bills. So I think you should seriously consider some of these points. They may sound ridiculous to you but they are serious things because we can't afford much further strangulation on the taxpayers. We just can't do it because they, too, will revolt, and the day they revolt we'll be in chaos.

So I think it isn't only just talking nonsense and that people coming here have to have courage - we're only housewives; we are not politicians; we are not out for anything; we're trying to defend the dollar from collapse. This is a very serious matter and must be taken very seriously. It's nothing to scoff at. Sometimes our husbands say it isn't worth the effort to come down before you people. And sometimes it isn't.

Sometimes you sit in the back room and laugh and say "You should never have taken the time." But we sincerely do this and we sincerely mean it, because we are concerned. We have no intent, no purpose, like some other organizations might have. Some are front line defense for the democrats, some are for something else, but whatever the occasion might be, they have a motive. We have no ulterior motive. We are here to defend the dollar, and if you will bear with us and try to understand what we are trying to do, I think all of us will come to a better understanding.

In regard to the repealing of these bills, I feel if they are repealed it will stabilize our local tax base and thus eliminate the State intervention through these costly programs that you put in and call them "State aid." They are not State aid; it's the taxpayers' money. But if we could put that money back at the local level, we could eliminate some of this. I don't say we will reduce the budget enormously but I think we can reduce it ten per cent if we make an effort in every department in the State. They are appointed by you, they are answerable to you, and if you give them an ultimatum, "This is it. Ten per cent or out you go," they'll do it. It puts their job at stake.

Here is another point I would like to bring out regarding the education fund moneys. Somebody prior to me mentioned the fact about Dungan getting a $154,000 tax-free house at the taxpayers' expense. I might mention here that our municipality just lost three houses - $120,000 - for three State-hired help that will be working in our area - three homes, tax free, $120,000 taken off the tax rolls, and the taxpayers paid for the homes.

Now I don't feel that you, as our representatives, should ever permit anybody to have a home purchased by the State and tax free. This means that $120,000 went off our tax ratables. Then you came in and took Green Acres - another $100,000. You took reservoir lands, you took lands for the reformatory, and so on and so on. All these things are draining that local tax base. Eventually they will be forced to surrender to the so-called consolidation or regionalization, or whatever they call it when they come in and take over, because they are going to tell us that we can't run our local government. We very well can run our own government if the other ones keep out of it. Our men that we elect to public office, if they don't do a good job, we'll put them out. It's that simple. We will vote them out of office the following year.

So I would suggest here that out of these tax moneys, you pass some kind of amendment or resolution or something to deter any of these houses and eliminate the ones that are there, because this is discrimination. Who are they to have a house tax free at the taxpayers' expense? We are not living under a feudal system. We threw tea in the Boston Harbor to eliminate a feudal system. Now I don't condone a thing like this and I think you legislators should do something about eliminating these homes - not only those two or three. I understand Somerset County for one of their representatives on the county level is giving him a tax free home. Now what kind of nonsense are we running in this country - I mean the State. I think something should be done about this because they certainly should not have a tax free house bought by the taxpayers

and then all these tax ratables lost annually. We sorely need every dollar that we can get at the local level, and every time you drain a dollar off of it means that somebody else is going to be forced to pick that up.

There will be no need for a State income tax if our elected representatives take action to readjust our tax structure and therein eliminate state infiltration and control over our local government, in the use of our state tax dollars and federal tax dollars. That decision, gentlemen, rests with you, our representatives here in Trenton and in Washington. For instance, our local public education - I already mentioned that; I'm sorry.

The above operation costs for the education system in our State runs approximately from 58 cents to 74 cents, depending upon the municipality. Therefore, approximately 70 cents of every dollar goes to education. So we do realize here that this is the biggest share of our tax dollar - locally now, I'm talking about.

So we might suggest here that we look very closely because the senior citizens who are in homes, small homes for the most part - some have large - we must consider these people that have paid taxes. We can't put them out of their homes because then they will become welfare subjects which will cost us even more. We must now make an effort or attempt to protect these senior citizens, and I propose this way to do it. I suggest that our state legislators pass a law injecting a head tax on every student attending a public school, such as other states have done, to protect the senior citizens.

That was the reason that they did it. Instead of an income tax here, realizing the school tax takes 70 cents of every dollar, I feel that our recourse here is a head tax for the people that will be benefiting and using the schools, a head tax possibly of ten dollars a month, which isn't too steep. They are making the demands for the things for the schools so, therefore, they should be entitled to pay for them. It should be a pleasure. You might look closely at that chance of finding a solution to the high cost of education instead of an income tax. You might seriously consider on the other side of the picture the senior citizens we must protect. There are two factions here. Both are vital. We cannot oust the senior citizen, nor can we close the schools. So I would suggest that you find a balance here because you gentlemen have access to many more facts than we do, and I would suggest here that, if you do come up with some suggestion along these lines, if you would let us know, we would certainly appreciate any information for research that we might help you with.

Since other states have succeeded very well along these lines with a head tax for their education system only and collected at the local level, not at the State, by their local tax collector, eliminating a lot of waste time and money and jobs, it might cut down here again state moneys for education. It might weaken Mr. Marburger's position but that's neither here nor there. The point here that we are interested in is how to save tax dollars - the state, we are talking about now, and locally.

In regard to zooming transportation costs, gentlemen, as taxpayers we urge that the annual tax collections derived

from all highway uses, such as tolls, gasoline, truck taxes, licenses, registration, etc., be mandated by constitutional amendment, if necessary, to pay for the local, county, state and interstate highways and roads. The ninety cents of every dollar of federal taxes for interstate roads in our State speaks for itself. The millions of state tax dollars spent annually for private railroad companies, the taxpayers' money, through the State, totaling some twelve or eighteen million dollars, is of major concern to every taxpayer in our State and especially to the thousands of commuters who experience poor daily service which is getting worse, despite our tax subsidy. And if you have ridden the rails into New York, you know what I'm talking about. My husband happens to be one of them.

Mr. Chairman, we hope that out of these hearings and out of some of these words and hopes, our elected representatives here in Trenton will take speedy action to protect our inflated dollar and subsequently cut all State spending and debts through positive tax reforms that will result in tax cuts before we face a fiscal crisis.

Thank you for the time allotted to us, the concerned taxpayers of our State. We trust that our efforts will not have been in vain.

ASSEMBLYMAN SMITH: Thank you very much.

Ladies and gentlemen, we have just been joined by Assemblyman William Schluter from Mercer County, and he is sitting at the table with us.

Mr. Medairis, do you have a statement?

D I E G O M E D A I R I S: I live at 61 Berkshire Lane, Willingboro, New Jersey. I don't think there is very much that I can add to what has been said in favor of bill 67, both the technical aspect for a tax or against a tax. What I understand the crux of the bill to be is to allow the people of the State of New Jersey to decide whether they want a tax or not.

There has been some contention that if the people had a choice, they would not tax themselves. Another person also stated that in some states they have taxed themselves. We tax ourselves with the sales tax through votes, we tax ourselves through the bond issue. I think it is wrong to assume that the whole responsibility of carrying on our State falls on the shoulders of the Assemblymen or Senators. It falls on all the citizens. Therefore, it would seem appropriate that it would be the citizens who choose in a situation as great as this. Whether we are for or against, as an individual or as a lobbying group, the most important thing is to let ourselves be known at the polls as to what we want to do.

I have become very emotionally involved when it comes to voting. By my accent, you probably realize that I am one of those foreigners. I came from Cuba, and I am an American citizen. I'm very proud to be a resident of the State of New Jersey. I feel that it is time we stopped playing games, political games where we tell the people, "If you vote for the bond you will not get a sales tax," and then "If you vote for the sales tax, you will not get an income tax." What would be the excuse when we get to the point if you vote for

the income tax? What are we not going to get?

Perhaps, and going back to one of the things that was said, if the income tax was to be approved or disapproved, it would change the fiscal manner of operation in the State. Perhaps what we need is to change the fiscal manner of operation. Perhaps what we really need are more legislators with the courage of their convictions and a productive imagination,- I would say such as Mr. Smith.

I am very grateful for the fact that I have the privilege to speak in behalf of Bill 67. I thank the Assemblymen - Assemblymen Garibaldi and Schluter for their attention, and, please, whatever you do, give us the right to vote whether we want to or not.

Thank you for the opportunity to be heard.

ASSEMBLYMAN SMITH: Thank you.

Is there anyone else who desires to give a statement for the record?

We have some statements that should be read into the record.

Mr. Alito, would you like to read these into the record? There are only three and if you read them, the people will have an opportunity of hearing them.

[The following statements were read by Mr. Alito or submitted for inclusion in the record.]

COPY

38 Ideal Court
Nutley, N.J. 07110
December 4, 1968

Mr. Samuel Alito, Secretary
Legislative Services
State House
Trenton, New Jersey

Dear Mr. Alito:

With regard to the public hearing to be held next Thursday, December 12 on a constitutional amendment to prohibit the imposition of a personal income tax, I would like to express my support of Assemblyman Walter L. Smith.

My vote in the last legislative election held in this state was cast for one reason only, and that was to prevent any new taxes from being imposed. The people of this state were promised that if the sales tax was enacted, no income tax would be forthcoming. If one is indeed waiting in the wings, as Assemblyman Smith suggests, then it is a sellout of the first order.

Not being able to be present at the hearing next Thursday, I would nevertheless like to go on record as being unequivocably opposed to a personal income tax for New Jersey and overwhelmingly in favor of Assemblyman Smith's resolution.

Sincerely,

Jo Ann E. Losi

(Miss) Jo-Ann E. Losi

DEC 9 1968

TESTIMONY OF ROBERT F. GOHEEN

ON ACR 67

I understand the Legislature of the State of New Jersey is considering an Amendment to the Constitution of the State of New Jersey which would prohibit the State from levying a personal income tax at any time in the future. It seems to me that such an amendment is extremely ill advised and that it may have very unfortunate consequences for the economy of the State. Let me emphasize to begin with that I am not advocating an income tax at this point in time or at any specific time in the future. I am only arguing against the imposition of unnecessary impediments to rational reconsideration of this matter in the future in light of changing circumstances.

Even looked at from an extremely parochial view, an outright prohibition of future income tax may well reduce the funds New Jersey obtains from the Federal Government. There is increasing sentiment among those who discuss revenue sharing proposals to base the apportionment of such funds among the States to a large extent on their relative "fiscal effort" via a system of broad based taxes. Surely it would be inadvisable to this State to constrain its future action in a way which effectively keeps it from obtaining a comparable share of the financing that would be returned to the States. Note that this prospect does not require the imposition of an income tax today -- it merely means that one must not foreclose the opportunity to do so tomorrow.

We may in the future also want to have the option of introducing an income tax if the rising costs of education, transportation and other social services can no longer be met out of the current tax structure. Both industry and the individual taxpayer are influenced in their location as much by the quality of social services as by the level of taxes. Low tax areas in which schools are poor, roads inadequate and social services substandard simply do not attract the sorts of inhabitants and the sorts of capital investment which our State is likely to want. A rigid fiscal system which erodes the quality of services by limiting for all time the State's revenue sources may thus inhibit seriously the economic development of the State.

More obvious remarks can be made about the need to permit future consideration of the income tax as a matter of fairness. As is well known, the sales tax tends to fall with disproportionate severity on the poor. At its present relatively low rates this is not a serious matter. But in the future it might become serious and one must conclude once again that it would be a mistake to foreclose the possibility of an effective alternative. However, perhaps the most immediate objection to the proposal is that it is undemocratic, since it undertakes to take the tax decision out of the hands of future legislatures. Our legislature has already proved itself very responsive to any public opposition to an income tax. The proposed amendment is in effect a motion of lack of confidence in future legislatures' willingness to consider the views of

the public on this issue. I cannot believe that in the future the legislature will grow unconcerned with the opinion of its constituents, or that the present legislature will wish to take from itself the fiscal power to adapt itself to prospective developments.

NATIONAL ASSOCIATION OF RETIRED CIVIL EMPLOYEES
SUBURBAN ESSEX CHAPTER No. 476

ESTABLISHED  IN 1921

December 7,1968.

Assemblyman Walter L.Smith,Jr.,
1403 Riverton Rd.,
Riverton,N.J. 08077

Dear Assemblyman Smith;

In behalf of the members of the above Chapter,and the 20,570 Federal Government retirees residing in New Jersey,we thank you for your introduction in the Assembly of Assembly Concurrent Resolution #67.

You will note from the attached chart that there are 14,594 employee annuitants drawing $3,436,097 for an average monthly income of $235.00 and 5,945 survivor (widow) annuitants drawing $681,134 for an average monthly income of $114.00 To consider a state income tax on top of the present state sales tax would place an additional burden on the majority of retirees who is now existing on monthly annuities which are below the recognized poverty levels.

I have written to the two Essex County members of the Assembly State Government Committee for their support of this resolution both at the hearings on December 12th and also to bring this bill to the Assembly floor for vote on January 14, 1969.

Sincerely yours,
Frank A. McGuirk
Frank A.McGuirk,Pres.,
1 Suzan Ct.,Apt B4,
West Orange,N.J.
07052

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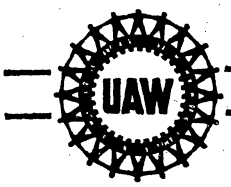

INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA-UAW

INTERNATIONAL HEADQUARTERS • 8000 EAST JEFFERSON AVENUE • DETROIT, MICHIGAN 48214

WALTER P. REUTHER, PRESIDENT
LEONARD WOODCOCK - VICE-PRES.

EMIL MAZEY, SECRETARY-TREASURER
PAT GREATHOUSE - - VICE-PRES.

December 12, 1968

My name is Martin Gerber and I am pleased to have this opportunity to file this statement with the Assembly Committee on State Government in opposition to Assembly Concurrent Resolution 67. I do so in my capacity as Director of Region 9 of the United Automobile Workers, a Region which is comprised of Upstate New York, Eastern Pennsylvania and all of New Jersey, where the UAW represents 50,000 members.

Any appraisal of ACR 67, or for that matter, any legislation which deals with the revenue producing machinery in our State, must be made against the backdrop of the physical needs of New Jersey and the services required by all of its citizens. To declare that New Jersey has solved all of its problems and has no further plans or programs which require funding is demagogic, at best, and dishonest at worst.

A quick catalog of our immediate needs should dispel any notion or illusion that we have no need for additional funds for our State.

Our state, municipal and county employees are grossly underpaid. Our youth require new and modern educational opportunities and facilities, such as buildings, scholarships and better teachers. Our cities are barren,with tremendous needs for reconstruction, revitalization, and revamping. A mammoth program of both federal and state aid is required. Our transportation facilities are slowly bringing us to the point of physical strangulation. Our capitol construction needs for a variety of state services are crucial.

The truth is that New Jersey has monumental problems, most of which can only be solved by the immediate transfusion of huge sums of public funds. This fact cannot be denied by any honest man.

The present system of producing revenue is a series of regressive taxes which impose little or no burden upon the rich but fall most heavily upon the shoulders of those least able to pay. Sales taxes, excise taxes, municipal property taxes, all fall within that category. If our state needs continue to accelerate, and our present system of taxation remains constant, except for increasing the rate of the existing burdens, the inequitable regressive nature will only be compounded.

ACR 67 would guarantee the perpetuation of such a system. If this resolution is passed and if the constitution were to be so amended to prohibit the passage of taxes based upon the ability to pay, the individuals who will suffer the most are the big city ghetto residents, the small, one-site homeowner and the New Jersey workingman.

The individuals who will benefit the most are lawyers, doctors, dentists, professional men, incorporated business owners and all individuals with personal incomes in access of $15,000 a year.

ACR 67 is a dishonest, demagogic attempt to stress economy in government, while actually engineering a massive shift in the tax burden from the shoulders of the well-to-do in New Jersey to the States low and middle-income groups. The UAW is vigorous in its condemnation of this bill and the motivation behind it.

Martin Gerber, Director
Region 9, UAW

ASSEMBLYMAN SMITH: Thank you, Mr. Alito.

Ladies and gentlemen, we wish to thank you for your presence and for your interest in coming and speaking on the resolution.

We now declare the public hearing closed.

[H E A R I N G C O N C L U D E D]

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