
Public Hearing

before

SENATE STATE GOVERNMENT COMMITTEE

SENATE BILL No. 1

(The "Property Tax Deduction Act")

LOCATION: Municipal Building
Scotch Plains, New Jersey

DATE: May 1, 1996
11:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Senator Joseph L. Bubba, Chairman
Senator William E. Schluter, Vice-Chairman
Senator Leonard T. Connors Jr.
Senator Byron M. Baer

ALSO PRESENT:

Frank J. Parisi
Office of Legislative Services
Aide, Senate State Government Committee



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SENATOR JOSEPH L. BUBBA (Chairman): May I have your attention, please? Thank you.

Please excuse my tardiness. I received wrong directions. I want to thank you all for attending. I want to thank the members of the Senate State Government Committee for traveling to Scotch Plains today for this very important hearing on Senator Don DiFrancesco's property tax deduction bill.

This is not the first time the State Government Committee has traveled to Scotch Plains to hold a hearing, but it is the first time that a Republican-controlled Legislature is taking real positive action to reinstate a property tax relief program that was eliminated under the Florio administration in June of 1990.

I was in the minority when this maneuver adding to the burden of the taxpayer was approved, and I remember well the cries of outrage. My district office was flooded with mail when citizens learned they could no longer claim property taxes as a deduction when filing their State income taxes.

Fortunately, we have leadership in the Senate today which has made restoration of the property tax deduction a priority and believes we are in a position to reinstate much needed property tax relief.

Literally, thousands of New Jerseyans will see significant savings under the terms of the Senate President's bill. It calls for a tax deduction of up to \$10,000 for property taxes paid by home owners. This translates into an approximate 8 percent reduction in income taxes paid by home owners and tenants.

Here today to tell us more about this much anticipated bill is our Senate President, Don DiFrancesco.

SENATOR DONALD T. DiFRANCESCO: Thank you, Mr. Chairman and, again, thank you for coming to Scotch Plains to have this hearing. I thank Senator Schluter, Senator Connors, Senator Baer, and all the staff people who are here also. I know there are other people here to welcome you to the town. I have lived here all my life; I was born a few blocks away.

This is an important taxpayer relief initiative. That is why I am glad to have this discussion outside of the State House and talk about it directly in front of the taxpaying public who will benefit, obviously, the most from this measure.

I have brought with me thousands of petitions, postcards, and letters in favor of the concept of a property tax deduction. They are all right here on my right. These are from people who have taken an opportunity to write back to express their support. This demonstrates, I think -- if you were to look through these -- that this is a major issue throughout all of New Jersey -- not one section of the State, but throughout all of New Jersey. Not just Bergen County, for example, where, God, you know, you have to make a lot of money just to buy a house in Bergen County to pay high property taxes, it is so out-of-sight in North Jersey because of the metropolitan area.

In traveling around the State, I have had an opportunity to speak with home owners from many areas, very diverse areas, as high as Alpine, which I know is a wealthy community, and as far down as Cape May. They all send the same message, that reinstating the property tax deduction should be a priority for people in New Jersey. Therefore, from my perspective, that should be a priority for us in Trenton, as representatives of people who elect us to office. We are supposed to be responsive to our constituents, and we are

supposed to pay attention to what they would like to see come from State government.

They have been very clear in telling us in these petitions and in the correspondence to our district offices that people, once again, want to deduct their property taxes from their State income tax payments. There is a good reason for this: New Jerseyans have traditionally -- as everyone in this room knows -- paid higher than national average prices for everything, from auto insurance to real estate. The fact that we enjoy, allegedly, one of the highest per capita incomes in the country is of little consolation to those people who have to pay these high property taxes.

The reality is, in New Jersey it is expensive to own a home, and property taxes are a significant part of that expense. Just think, as representatives who I know have been in office a long time, how many people have told you that they moved out of New Jersey to North Carolina, to Florida, to South Carolina, to wherever? Why? The first thing they mention is the high property tax.

A recent study by the Manhattan Institute indicates that there was some good news for New Jerseyans last year in their property taxes. In 310 of the 509 school districts analyzed, they did not see property taxes go up at all, when adjusted for inflation. So this is not an initiative that I am proposing because of some recent occurrence involving property taxes. This is something that I feel we have always needed, that we did have, but we lost, as I will come to.

We have been working hard, and this Committee has been a major part of that effort, to provide local governments with the tools they need to

keep property taxes in check. I know there are municipal officials here -- the Mayor of Westfield is here seated in the first row -- who can address that issue, including: adequate municipal aid; a takeover of the county court system, saving the counties a tremendous amount of money; binding arbitration reform, the first Legislature, in 20 years, really, to even look at that legislation, let alone pass a bill to modify it; and protection from unpaid State mandates, sponsored by Len Connors, and really put together by Len, in terms of a bill that actually repealed State mandates, something no one would have ever thought we would be able to do, particularly in the form in which we did it, but we did.

We want to do more in that area. I know Len is prepared to do more. But we cannot stop there. I think we must have direct property tax relief.

Now, we all know that this year the Governor, and everyone else, has been talking about an education funding formula. It is not news to most of the people who are following that that the Court has said there are a numerous amount of districts that cannot receive State aid -- normal State aid -- to education, because of either their property tax wealth, their per capita income, or what have you. We know that.

There are, on the other hand -- and this community is typical of it, because this is one of those I&J communities-- There are lots of people -- and you all know that I have lots of relatives -- widows, living on a fixed income, who live in their homes -- and I can show you their homes -- who still pay property taxes on very meager incomes. But they live in a district that is perceived as being too wealthy to receive State aid, and that's okay.

So what is it that we can do for these people to help them, because they are, basically, helping to pay the costs of the local education in this community through their real estate taxes? We can give them a deduction for those taxes on their income tax return, where they will get some kind of relief, where they will see that we recognize that they are carrying this burden, and we want to do something.

It may not be the best that we can ever do, it may not be tremendous amounts of money, but there is a recognition that, "Hey, you are supporting your local schools. You may not even have children there, haven't had for 20 years, but we are going to recognize that. We know you can't get State aid, as we know in education. We are going to give you this deduction, because you are helping to carry the ball in that area." That is something we should do.

In 1985, Governor Kean saw the merit -- and, of course, the Legislature -- of the Property Tax Deduction Program, and they enacted what is known as the "Homestead Tax Relief Act." The taxpayers were able to deduct property taxes under the gross income tax in that year. Renters were also allowed to deduct up to 18 percent of their rent, on the theory that they are paying the real estate taxes through their rent.

We enjoyed that benefit until 1990, when the Act was repealed as part of the overall administration's \$2.8 billion tax increase program. The property tax deduction fell to the side.

Since 1992, I have talked about bringing back this deduction and working to reduce the tremendous burden we have with these taxes in New Jersey. Our next step, after we reduce the sales tax, we reduce income tax

rates, increase municipal aid, is to provide some form of direct relief, thus the ability to deduct the property taxes.

I am not really simply trying to restore the 1985 benefit. Times have changed, and this program must reflect the current budget conditions. Under this bill, property taxpayers would be allowed the deduction. However, it would be capped at \$10,000 in property taxes paid. Renters would still be able to deduct 18 percent of their rent as a recognition of the property tax paid by tenants that is usually built into the rental fee.

S-1 has been designed to be as inclusive as possible, so that a wide majority of New Jerseyans can benefit from this initiative. Inclusion does not come without costs, however. I realize that this program would reduce, once again, income tax revenues -- more than \$170 million for tax year 1996, according to OLS.

I realize that this program cannot be put into effect without the Legislature finding appropriate and adequate budget savings. However, I am confident that we can do that. I am willing to act on any recommendations this Committee can make through this process that will guarantee some level of property tax relief this year, and in the years to come.

I just think the challenge is there. I think we can meet this challenge. I know you all agree, in concept, that we should try to do something. I recognize how difficult it is from year to year with this budget to try to build this into the system. I want to quickly add, because we have some municipal officials, this is not a program designed to cut back on municipal aid or any of the aid programs we have. You know, if we had the money,

obviously we would increase those aid programs every year, and that would be a goal, to help with municipal aid.

But municipal aid, as you all know, benefits all property taxpayers in a community -- home owners, commercial owners, landlords, industrial owners -- all property taxpayers. This is designed specifically to help the home owner, who is carrying a big burden.

I will stop here. Obviously, if you have questions, I will be happy to answer, but I know there are people in the audience who would like to speak. I appreciate all of the people who are here today and certainly, again, all of you for coming to Scotch Plains.

SENATOR BUBBA: Thank you, Mr. President.

I want you to know that this Committee thinks this is a very bold move on your part. It is a move to help our taxpayers and the people of the State of New Jersey. I think you will see an awful lot of these votes in favor of it.

Do any of the Committee members wish to speak at this time?

SENATOR BAER: Yes. I would like to say a couple of things.

I note the initial statement by the Chair, as well as the sponsor, have a highly partisan tone. I think it is important that we try to look at this not from the perspective of partisanship, but from the perspective of public interest. I think we want to take a frank and honest look and see what the best thing is in the interest of the people.

That means that we need to look not only at where this money is going to go, but where it is going to come from. For instance, that means that we have to also examine the fact that this particular measure will reduce the

revenues for the Municipal Property Tax Assistance Fund. There is a balance and a trade-off here. We may hear it presented from the point of view that this will not affect municipal aid, but, in fact, inevitably, it must affect municipal aid if it reduces the Municipal Property Tax Assistance Fund, dollar for dollar.

I think we should be frank about that, examine it, and see what we want to do. Maybe it is still worth doing anyway, but I think we should be frank about the facts. I think we should be frank about the fact, when we are talking about relief particularly focused on homesteads for home owners, that there has been an enormous cutback of such aid recently, with a great reduction of the Rebate Act, a measure that has a far larger impact than this.

It seems to me that if we are going to be looking at what is in the public interest, and looking at how to provide relief to home owners who are hard pressed, we need to look not only at this measure, but we also have to look at that and see whether there needs to be a balance between the two, whether there needs to be any combining of the two, how the one measures against the other, whether they both have equal effect, or whether there is a disproportionate effect on the one relative to some citizens and other citizens, whether there is an income differential, whether we are helping those who have been most hard hit, or whether we are helping those who have benefited most from some of the other relief measures.

I urge that we take a frank and honest look at this. Let's have less political rhetoric about "Democrats did this," or "Republicans did that," etc., etc. If we want to, we can get into that -- I am prepared to do it, too -- but I think that in the long run the public interest would be served if we not try to

make this a partisan, political thing for political advantage, but just see what is in the public's interest.

SENATOR DiFRANCESCO: Are you asking me a question, or-- I don't think I mentioned the words "Democrat" or "Republican."

UNIDENTIFIED SPEAKER FROM AUDIENCE: That's right, sir.

SENATOR BAER: The Chairman did.

SENATOR DiFRANCESCO: Byron, just so you know, and to be fair to you, I can tell you that in 1985, when this property tax deduction was passed into law, it was a smart Legislature that did that, and it was controlled by the Democrats. Marlene Lynch Ford was the sponsor, as you well know, because you were there.

SENATOR BAER: I understand.

SENATOR DiFRANCESCO: It was not a very bright Legislature that repealed it -- the Democrats and Republicans who voted for it in 1990 -- because-- Just think: If you proposed in your district tomorrow that we eliminate the property tax deduction on the IRS return, people would go nuts on you in your district. You wouldn't do that. Here we did it in 1990.

All I am suggesting is that it was a mistake and we ought to bring it back, and this is something that all Democrats and Republicans should support from Bergen to Cape May. It helps property taxpayers. I am certainly not doing this in any way-- I am trying to do as little partisanship on this issue as I can. I waited until 1996. I wanted to do this in 1992. It is just a pet peeve that I have.

I know in Bergen County, you probably can't buy a house there without making \$100,000, it is so expensive to live up there. The average property taxes in some of the communities up there are probably higher than \$10,000 a year. I pay over \$7000 and I live on a street called West Broad Street in Scotch Plains, which is kind of a main drag going from Scotch Plains to Westfield, where the rich people live. (laughter)

UNIDENTIFIED SPEAKER FROM AUDIENCE: I'll comment on that later, Senator.

SENATOR DiFRANCESCO: I don't want you to feel, in any way, that this is designed to be partisan. This is strictly designed, hopefully, to enlist your aid in convincing the Budget Committee to at least enact a program where we start to give some consideration to the property taxpayers in this State.

I think they deserve it. I will get reelected whether we pass this or not. I am not doing this for that reason. I am doing it because I think it is right to do in New Jersey, more so now than ever before.

I want to thank you for being here, because I know you are busy. You have come a long way, as has Len. Some say that Len never gets past the toll booth on-- I know that is not true. Bill comes a long way from Hunterdon County, and Joe from Passaic. I know how busy you are, but I feel this is important for all of us.

I think it is demonstrated right here. I mean, I didn't send these in (referring to petitions and letters). Yes, I certainly solicited people to send these to me, no question about it. But they put the stamps on them, they put them in the envelopes, and they mailed them. I was impressed by how many

I got back. I did that for a reason, to demonstrate to you that people do care about this issue; that they do want some kind of relief, anything that will help them with respect to the taxes they are paying. They are fed up to here with it. I has been a long time coming, and I certainly hope you find a way to support it, Byron, Joe, Bill, and Len.

Thank you very much.

SENATOR BAER: Let me join you in welcoming this focusing on property taxes. I think that is something that is very important for us to do.

SENATOR BUBBA: Thank you, Mr. President.

Senator Connors?

SENATOR CONNORS: Thank you, Mr. Chairman.

I am pleased that you have convened this State Government Committee here today in Scotch Plains. I know all of us welcome the opportunity to meet with Senator--

SENATOR DiFRANCESCO: Let me just say something: You know, originally when this town was settled -- and Bub will bear this out -- it was known as Scots Place, because Scottish people, I guess, settled here first.

UNIDENTIFIED SPEAKER FROM AUDIENCE: Don't forget--
(remainder of comment indiscernible; no microphone)

SENATOR DiFRANCESCO: Then they had waves of Italian immigrants come in, and now they call it "Scotcha Plains." (laughter)

SENATOR BUBBA: Mr. President, we have a chair for you, if you would like to sit.

SENATOR CONNORS: I welcomed the opportunity to come here to Scotch Plains today to talk about and listen to the testimony from the public with regard to Senator DiFrancesco's bill, S-1.

You know, hard-working New Jersey families are faced with uncertain economic times. Everywhere we see companies downsizing, businesses cutting jobs, and middle-income families caught between the dilemma of spiraling property taxes and diminishing income. New Jerseyans are working harder than ever, longer hours, and more efficiently, just to stay even and to balance their family checkbooks.

Nowhere is this dilemma more evident than in my own legislative district encompassing parts of Ocean, Burlington, and Atlantic Counties. My district includes the highest percentage of senior citizens, and among the highest percentage of home ownership anywhere in the State of New Jersey. Conversely, average income for the retirees and younger families in my district is among the State's lowest. These characteristics produced the Homestead Property Tax Deduction in 1985, originally sponsored by former Ocean County Assemblywoman Marlene Lynch Ford.

From 1985 through 1990, New Jersey residents enjoyed a real and significant tax break by deducting their local property taxes on their State income tax.

I voted against the Florio administration's repeal of the Ford Act back in 1990, and I am proud to stand here today as an unequivocal advocate and a cosponsor of Senate President DiFrancesco's bill, S-1, to restore this vital property tax relief.

The Homestead Property Tax Deduction represents a real and solid tax bread to provide the people of New Jersey with some relief from spiraling property taxes. IN 1990, residents of my legislative district were saving \$8.5 million in State income taxes under the Ford Act. That meant that \$8.5 million could go back into the local economy to help to promote jobs and promote growth in my district.

Because of the administration's repeal, they have been paying \$8 million, or more, each year in State taxes during the last six years. Senator DiFrancesco is taking up the charge to reinstitute this vital tax bread for our hard-working, middle-income families and retirees who have invested a long time in their communities here in New Jersey.

A reasonable limit has been placed to cap this tax break at \$10,000. Our families and senior citizens who rent their homes will also share in these tax savings.

I would, respectfully, also urge the Committee to consider amendatory language to ensure a minimum rebate for those citizens, particularly senior citizens, who are at the lowest income scale and may not be required to file an income tax. As the Committee is aware, citizens with incomes under \$7500 are not required to file. I would be hopeful of looking towards a consensus to ensure a minimum benefit for all citizen home owners of the State.

The Florio administration's 1990 repeal of this tax break costs New Jerseyans daily. I welcome the chance to champion the long overdue restoration of this taxpayer friendly initiative with Senator DiFrancesco.

Thank you for listening to me.

SENATOR BUBBA: We will now hear from the people who have attended to speak. We have the Mayor of Westfield, Garland Boothe.

MAYOR GARLAND "BUD" BOOTHE: Mr. Chairman, Mr. Senate President, gentlemen: It is a pleasure to be here. It is nice to be in Scotch Plains again. As Don knows, I consider myself a native of Scotch Plains. I am a graduate of the Scotch Plains-Fanwood High School right down the street.

Thank you for giving me the opportunity, and others the opportunity to speak in favor of S-1. I think that is a very important number. It indicates that it should be high on the list of priorities of legislation before the Senate this year. This bill would reinstate local property taxes as a deduction from gross income before determining taxable income for the New Jersey State income tax.

This is a particularly appropriate day for this hearing. As you may have noticed, I have seen Scotch Plains taxpayers streaming into the building to pay their local taxes, which are due today.

My interest in New Jersey taxation matters goes back over 40 years. When I was in college in a presales tax, preincome tax era, my thesis adviser, Dr. John Sly (phonetic spelling) chaired a series of studies conducted on New Jersey taxation. He has commented that unless you drank, smoked, gambled, bet on the horses, drove a car, or died, the average person paid not one cent to support the activities and operations of the State of New Jersey. As for the support of local government functions, including schools, then, as now, primary reliance was on local property taxes. So, although some things

have changed a great deal since then, New Jersey's tax problems continue to the present day.

I am Mayor of a community that is generally described as affluent. This statement is badly flawed. While we do have many affluent residents in this town -- as they do in Scotch Plains, as they do in Bergen County, and elsewhere -- almost 20 percent of my constituents are over 65, and many of them -- and many others -- are anything but affluent. Many of them are what we call "house poor." They are living in houses they bought years ago, where they raised families, and they now seek only to live comfortably in retirement.

Their homes have appreciated tremendously in value, but maintaining these homes has to be paid out of fixed incomes from Social Security and/or pensions. One friend of mine makes no bones about the fact that, although he retired decades ago as a pharmaceutical company executive, his pension simply has not kept pace with the economy. He now pays more in local property taxes in Westfield than he does in Federal income taxes.

In Westfield, we have about 10,000 residential properties, which, with other properties, are going to pay \$68 million in the town hall this year. Fourteen percent of this will go to support town government activities. Twenty-one percent is sent to the County of Union. Sixty-five percent supports our excellent, but very expensive local school system. This is par for the course for the suburban communities in this part of the State.

I estimate that under S-1, approximately \$50 million to \$55 million in property taxes will be subtracted from gross incomes of Westfield residents. Applying the highest tax rate -- 6 percent -- means that approximately \$3 million will remain in the pockets of Westfield residents,

helping the local economy, as Senator Connors suggested a few minutes ago. But, of course, this is \$3 million the State will have to find elsewhere to continue the present level of State government, including State aid to municipalities. Escalate this to include the other 566 municipalities in the State, and a lot of additional moneys are going to be necessary.

The town of Westfield presently receives approximately \$4 million annually in the form of State aid. What our Board of Education receives in State aid is another number. I mention this because if the net result of \$3 million not flowing from Westfield to Trenton as income tax money leads to a reduction the other way, so the State aid from Trenton to Westfield is cut, reduced, or eliminated, for whatever reason, this means that we at the municipal level will either have to cut out \$3 million worth of police, fire, library, parks, and other municipal services, or we will have to turn around again and raise the property tax to make up the difference.

In other words, bluntly, I do not want S-1 to make the State government look like a hero with a property tax deduction, and then we, at the local level, become the bad guys by raising property taxes to make up the shortfall in State aid.

I have also looked at this proposal to determine what it would do to a great range of Westfield taxpayers, myself included. Of our 10,000 residences, we have many that pay around \$5000 a year in real estate taxes, and property owners paying the town \$5000 in taxes would benefit from not paying \$300 in State income. The person paying \$10,000 in property tax would save \$600. The person paying \$25,000 in property tax -- and we do have some -- also would save \$600, because of the cap, which I happen to

think is a desirable feature of the Senator's legislation. It is simply \$60 per \$1000 paid in real estate taxes.

The property owner at the more modest end might well be one of those residents we have on a fixed or limited income. These are the nonaffluent in our community, in every community in this State. For such a person, \$300 is probably significant. This is a third to a quarter of a monthly Social Security check. For the person at the other end, who could afford to own a house and pay \$25,000 in taxes, well, in Westfield, that means the property is assessed at around \$700,000 and has a true value of a little over \$1 million. Probably the \$600 saved by that person is not a lot of money for that person.

My point in all of this is simple: This deduction from the income tax is nice, and I support it. It is going to be of varying benefit, depending upon economic situations. In an era where every cent of taxation is resisted or viewed as unnecessary, duplicative, or wasteful, anything that is done as tax reduction is going to be appreciated by your constituents and mine. However, as all of us with experience in government know all too well, Newton's laws of physics apply. There is always an equal and opposite, perhaps adverse, reaction.

I support S-1 and I thank the Senate President for introducing it, because it will reflect to my constituents that there is a concern and a recognition by the Legislature and by the government that local property taxes are excruciatingly and unacceptably high. In my community, and in many similar communities, a very high percentage of the tax bill goes to support virtually all of the costs of the local school system. I would hope that this relief

to modest- and low-income taxpayers and fixed income residents would be important to them, but comparatively insignificant, possibly, for high-income taxpayers. Nevertheless, I hope it is going to be a milestone on the road toward developing and implementing a fairer, more rational way of funding -- other than through local property taxes -- local government services, particularly the funding of education in this State.

Thank you for giving me the opportunity. If you have any questions about Westfield -- which the Senator has referred to numerous times -- I would be glad to answer them for you.

SENATOR BUBBA: Thank you very much, Mayor.

MAYOR BOOTHE: Thank you, Senator.

SENATOR BAER: Thanks, Bud.

SENATOR BUBBA: Mayor Thomas Lincoln.

SENATOR BAER: Mr. Chairman, would you ask him to turn in a copy of his statement, if he is able to, so we will have it?

SENATOR BUBBA: Yes.

MAYOR BOOTHE: I will be glad to leave it, or I-- Actually, I have made some revisions. Perhaps I will fax a revised copy to you later on.

SENATOR BUBBA: I think this hearing, Senator, is being transcribed, so we will get a copy anyway.

SENATOR BAER: Right, but it would be helpful to have some of the things as quickly as possible. Most transcriptions, aren't they months away?

SENATOR BUBBA: No, this one is going to be very quick. The Senate President is involved.

Mayor Thomas Lincoln. Mayor Lincoln is from Glen Ridge, my community.

MAYOR THOMAS C. LINCOLN: Mr. Chairman, members of the Committee, on behalf of myself, the Council, and the residents of Glen Ridge, I thank you for this opportunity to express support for this legislative initiative. Quite simply, we need the kind of relief it offers. Let me briefly outline why.

Over the past 10 years what we have received from the State for all purposes has declined 28 percent, from \$1.8 million in 1987 to \$1.3 million in 1996. In Glen Ridge, that's 22 tax points. Because we are a community with almost no commercial ratables, residential property taxes have had to make up for that decline in revenue from the State, as well as the normal increases local budgets experience. As a result, over the same 10-year period, Glen Ridge property taxes have risen 80 percent. The average home is assessed at \$100,000, and its owner now pays \$9000 in property taxes. Many of my neighbors feel a critical breaking point is being reached.

Are we just being profligate with our resources? Are we simply spoiled spendthrifts? I think not.

Ask around. We have an outstanding K-12 educational system. Our graduates are accepted to the most prestigious colleges and universities in this nation. The schools, students, and parents work in a way most communities would envy. Yet, budget discipline has held our per-pupil cost below that of Newark and almost right on the midpoint of the State as a whole. This proven, productive, cost-effective system is being provided a grand total

of \$43,000 in discretionary State aid in 1996. In other words, virtually all of the school budget must be financed by local property taxes.

We are doing our best to provide municipal services equally efficiently. In what is the largest interlocal service agreement in the State, our fire protection already is provided by Montclair, and we are exploring similar arrangements for other services. We are at the point, however, at which our efforts to restrain expenditures are threatening our ability to provide basic infrastructure maintenance for water, sewers, roads, and playgrounds, not to mention needing to address the increasingly dangerous condition of aging, unattended shade trees. We have already drawn down our surplus to \$12,000. Nevertheless, when we reluctantly applied for funds under the Supplemental Municipal Property Tax Relief Act in order to offset an otherwise unavoidable tax increase for municipal expenses, we were turned down, West Caldwell and Verona having been perceived as being in more “dire need.”

Lastly, we are an Essex County community, a reality that takes 25 cents of every property tax dollar we raise. Not only does the county expend very little in Glen Ridge, but the Real Estate Appeals Board, to date, has granted tax appeals that have reduced our property tax base by over \$10 million.

As the Chairman, and perhaps others of this Committee are aware, our community is endeavoring to bring the inequity of the school funding formula into focus for the same reasons I have outlined here today. Frankly, our property tax distress would be alleviated best if that effort were to succeed and the unequal burden of this current formula were corrected, so we will continue working toward that end. At the same time, Senate Bill No. 1 offers

at least some relief for our tax-stressed residents and we, therefore, express our strong support in favor of its passage. We simply cannot afford to do otherwise.

Again, thank you for this opportunity and for your kind attention.

SENATOR BUBBA: Thank you very much, Mayor, for coming down here.

MR. LINCOLN: Thank you.

SENATOR BUBBA: Your words are important to us. If you will leave a copy of your comments, I will get them out to the other members.

SENATOR BAER: May I ask a question?

SENATOR BUBBA: Sure. Of the Mayor?

SENATOR BAER: Of the Mayor, yes.

The previous witness, the Mayor of Westfield, commented that-- He said, "To put it bluntly, I don't want S-1 to make the State government look like a hero with a property tax deduction, and then at the local level we become the bad guys by raising property taxes to make up for the shortfall in State aid." He pointed to the issue: If the next result of millions of dollars not flowing from his town to Trenton as income tax money leads to a reduction the other way so the State aid to his town is cut, reduced, or eliminated, for whatever reason, then that means that we at the municipal level either have to cut out millions of dollars worth of police, fire, library, parks, and other municipal services, or turn around and raise taxes.

Of course, you are familiar with the Municipal Property Tax Assistance Fund, which would be reduced by the exact amount of this break,

if we were to provide it. I am interested to know your thoughts about that. Do you share this concern?

MAYOR LINCOLN: We are already confronting the need to potentially reduce services. I mean, that would not be a new concern in Glen Ridge. My feeling, quite frankly, is that we send far more to the State than we can ever hope to receive back. Whatever we don't spend I think we will use more efficiently and effectively than the loss in the difference. Whatever we keep will be better used locally.

SENATOR BAER: What I am trying to understand is, if we pass this and as a result of this there is less money -- the State has less money to provide municipal property tax relief, does that concern you the way it does the previous Mayor?

MAYOR LINCOLN: The supplemental relief you have to apply for, we thought we qualified on every basis that we could identify. The request was relatively modest and was directed at holding to a very minimal tax increase this year. It was turned down. My feeling is, the communities that received it, I have difficulty in my position perceiving a more dire need.

Fine, reduce it. I apparently don't qualify for it anyhow.

SENATOR BUBBA: Senate President?

SENATOR DiFRANCESCO: I think, if I may-- I certainly agree with Mayor Boothe. I think I said up front that the last thing I want to happen is to have municipal aid affected by a reduction in the income tax revenues. What Byron is referring to is the income tax -- is a fund that the income tax is going to. It was a nicely worded fund when it was enacted but, nevertheless, all it is, is the pot that the income tax revenues go into.

Obviously, it would be reduced in terms of technical reasons, because we are reducing the income tax.

The answer you should have to his question is: Obviously, you are very concerned if the municipal aid is going to be reduced because of this bill. If you want to save the question, Byron, every witness here should answer that they do not want municipal aid reduced by this legislation. Again, I don't want to be partisan at all, but if you are going to ask everybody that question, I'll give you the answer.

You're right. We don't want municipal aid reduced as a result of this legislation. What we want is to give people property tax relief, people who deserve it. So, you know, maybe I will save you the trouble of asking every single person, because Bud addressed it up front. I thought I did by what I said in my statement. But, please, don't try to mislead somebody by suggesting that a municipal aid fund is going to be jeopardized by this legislation. That is not true. The income tax revenues will, theoretically, be reduced by this legislation.

SENATOR BUBBA: Thank you, Mr. Mayor.

Councilwoman Joan Papen. Councilwoman, you represent Scotch Plains?

COUNCILWOMAN JOAN PAPEN: Yes, I do.

Mr. Chairman, members of the Senate State Government Committee: I very much appreciate this opportunity to address the Committee regarding Senate Bill No. 1, sponsored by Senator DiFrancesco.

Gentlemen, I will be short and to the point. As an elected municipal official for the last 14 years, I am very much aware of the

difficulties, and in many cases, hardships our residents must endure in order to pay the various taxes which are mandated. The home owner's property taxes are certainly near the top of the list. This is an expensive item -- a tax -- which should be deductible.

Our senior population is growing, with a large majority of seniors on fixed incomes.

Raising a family today has become much more expensive for our younger population, with both parents working to make ends meet.

As for the sandwich generation -- take your pick.

Senate Bill No. 1 provides a gross income tax deduction of up to \$10,000 for property taxes paid. This bill should be adopted. It will afford some much needed relief to property taxpayers. At least they will no longer be paying taxes on a tax -- which is really unfair. Senate Bill No. 1 is a good bill; the \$10,000 limitation is fair.

I urge you to release S-1 from Committee for a vote by the full Senate.

Thank you for your consideration.

SENATOR BUBBA: Thank you, Councilwoman.

Lyle R. Hatch, Second Ward Councilman, from Clark.

C O U N C I L M A N L Y L E R. H A T C H: Good morning. On behalf of the constituents of the Township of Clark, I would like to thank this Committee for allowing me the opportunity to speak in favor of Senate Bill No. 1.

The original Homestead Rebate Program was instated for the benefit of all property taxpayers as a relief for the ever-increasing property

taxes. Exacerbated by the reduced funding for education and the resulting higher costs to our individual municipalities, our residents have been confronted with an ever-increasing cost to reside within our fine State.

Just this past year, we passed our budget -- our municipal budget -- in the Township of Clark with a zero percent increase. Unfortunately, our Board of Education is coming in with a six and a half point increase. All of our home owners are impacted by this continuing dilemma. They are forced to dig deeper and deeper into their pockets, thus forcing some to consider relocating to other states.

We, as responsible leaders, cannot allow this to occur. In an era of economic uncertainty, occupational consolidation, increased sharing of services, smart sizing, an ever-aging population creating larger numbers of retirees living off fixed incomes, and a critical time when states are vying aggressively for their own economic viability, it is essential that Senate Bill No. 1 is instated.

The relief in this most critical area is, indeed, warranted and long overdue. As Second Ward Councilman for the Township of Clark, I am proud of Senators DiFrancesco and Matheussen for drafting and fighting for S-1. I urge you not only as government leaders, but as hard-working taxpayers to vocalize your support for Senate Bill No. 1. It is time for middle America to speak up for their rights.

Thank you.

SENATOR BUBBA: Thank you, Councilman.

From the Board of Adjustment of Wayne, we have Alex Manaila.

ALEX MANAILA: Thank you, Mr. Chairman.

Mr. Chairman, Mr. Senate President, members of the panel: I am the Vice-Chairman of the Board of Adjustment in the Township of Wayne. It is an honor and a privilege for me to be here today in front of you to present my special point of view on this very important matter.

I have to apologize for my slight accent. I was born in Europe -- Romania -- and, therefore, I am-- I have Italian ancestry. Unfortunately for me, coming here very late, I am still holding this accent.

SENATOR BUBBA: Can you speak up a little?

MR. MANAILA: Yes.

What I am trying to say is--

SENATOR BUBBA: Bring the mike closer.

MR. MANAILA: Oh, the mike, yes.

I am trying to present my best standpoint on this. I do support Senate Bill No. 40. I will start, also, by saying thank you to Senator Bubba in the name of Wayne Councilman Krause, representing the 6th Ward, and myself, for giving us the opportunity to be here today.

The bill is one that Senator Bubba sponsored with Senator DiFrancesco together. It is an important tool to relieve the tax burden on the citizens.

I had an opportunity to examine the bill, unfortunately, only for 24 hours. I got it the other night. It was too late to present my suggestion in a letter, but I just penciled down a few ideas that maybe can be taken into consideration.

As far as the economics of the housing industry are concerned, in my position, and also traveling around, I had an opportunity to see that the

housing market is not moving. What I mean by that is, it is very difficult to sell a house, and if the economical conditions force you to get another job somewhere else, it is a big problem selling your property and relocating -- with the money you get for your house to buy another house.

This is a burden which translates into the taxes you have to pay on your residence, either staying or leaving the township. What I was thinking was, maybe the bill could be, if possible, modified in order to make this deduction, rather than a flat up to \$10,000, a gradual differential limit -- more than \$10,000 or less than \$10,000 -- according to the value of the home itself.

As a home owner, I know that the people usually maintain the economical process. In other words, if they have a tax deduction of some kind, they do invest this money in buying appliances, buying a new car, buying furniture for the house. Therefore, they are maintaining the economical flow, the traffic of the merchandises and the whole economical process.

The people who live on a middle income level form the income structure. Therefore, I think a gradual return, not to be fixed up to \$10,000, but be, a little bit, based on the assessed value of the property itself for the home owners.

I did not have time to give you a suggestion on this, but I was thinking that eventually the houses which are over \$350,000 assessed value should have a relief less than the houses which are between \$100,000 and \$300,000, for instance, because that is the value of those houses which are usually bought or sold for people who are producing a salary. They are usually at a younger age than anybody else. They try to buy a house to establish themselves as home owners, and they do need this reduction to a much higher

degree than someone who is already the owner of maybe two or three residences, all about \$300,000.

Another idea which I suggest for consideration is -- and this is based on an example I know for a fact -- the home owners living alone, over 80 years old, or maybe 75 years of age, should get a much higher limit, because usually these people are living on a fixed income. Nowadays, it is a very difficult thing to live on a fixed income.

I have to believe that lower taxes mean a financial relief. It will stabilize the housing market. Maybe we should put something in the bill to stimulate the small businesses running from the home. For instance, if someone allocates one room in his household to do an activity which is translated into a small business activity, maybe that person should get another relief which is not provided by anybody, but it used to be provided by the income tax legislation up to the year 1987, I think.

This is a very fast review of the proposals. Once again, I do support them in full.

I thank you, Mr. Chairman, for giving me the opportunity to come in front of the panel today.

Thank you, gentlemen.

SENATOR BUBBA: Thank you very much, Mr. Manaila.

I am going to turn the Chair over to the Vice-Chairman for a moment. I have been paged. I have to make a call, but I will be back momentarily.

SENATOR SCHLUTER: Thank you, Senator Bubba.

The next witness will be Mr. Robert E. Linz, Chairman of the Property Tax Committee of the American Association of Retired Persons. Mr. Linz?

ROBERT E. LINZ: Good morning. I am not a mayor of any town, or anything, so I just want you to know that. You had a couple of mayors before you.

I live in Franklin Lakes. If anyone knows that area, it is an affluent town. Starter houses run over \$400,000 to begin with, so it is hard to live up there.

My name is Robert Linz. I am Chairman of the Property Tax Committee of the American Association of Retired Persons -- the AARP of New Jersey. We represent some 1.2 million voters in New Jersey. I am here today to support Senate Bill No. 1, the reinstatement of the property tax deduction. Property tax is the single most burdensome tax for many low-income and older persons. It affects older persons directly because most are home owners, but it also affects renters indirectly because at least part of the tax is passed on to renters in the form of higher rents.

The past years of cuts in the State income tax have had very little positive effect for seniors in New Jersey, because their incomes are too low to reap much benefit. Senate Bill No. 1 could help to correct this problem.

Seniors of New Jersey are in a very unique situation -- that of not being able to keep up economically with the rapid rise in property taxes. The actual cost of meeting rising property tax expense is well beyond the inflation rate and exceeds, often, the annual cost of living adjustment -- COLA -- for Social Security or other retirement income.

This situation has caused great consternation among the senior population of New Jersey. In many cases, the alternatives are neither practical nor favorable: to sell their homes and move to less expensive accommodations, or to cut back on spending for other necessities, including food and medicine.

I remember when I grew up as a youngster, anyone who was about 60 years of age was considered old, not just in our minds, that is just the way it was. Now that I am in my 60s, I am considered a young old person. The fastest growing group in the United States is between the ages of 80 and 90. Percentagewise, that is the fastest growing group. So what is happening is, people are living longer and they are living on less income. This is what is causing the big pinch. That is one particular problem they have.

Another situation is, most towns are running about 16 percent to 18 percent seniors. Now, if you have seniors who have to move out of the town and go to another state, or somewhere else-- I want to say right now that I work for Weichert Real Estate, so I know something about real estate. By the way, business is not that bad. Anyway, I know that when people move into a town, they are people with one or two children. So now you have misplaced the senior, who doesn't have children in the school system anymore, and you put in a family with one or two children. You get 10 or 15 of those in a town when you have the seniors leave, and you have to hire teachers at \$30,000, \$40,000, and benefit \$50,000 a year. So it is beneficial to keep seniors in the town. It gives you a good compromise of the population. So we ought to consider that.

Another thing is, women in their 70s, 80s, and 90s are still outliving their spouses. Many of them, their husbands had pensions

beforehand, had Social Security, and they are going to lose that when their spouse dies. They are in their 70s, 80s, and 90s trying to live on Social Security. I know several of them up in my affluent town of Franklin Lakes, and in Wyckoff-- I know one woman who is 95, and she is living on Social Security. I don't know how she does it, but she does it. She doesn't go anywhere, but she does pay all the bills.

We welcome the opportunity to collaborate with legislators to further help to move Senate Bill No. 1 toward a positive enactment. I would suggest to you, about this bill, if you find that it is going to cost too much money -- like, \$200 million, we figure, who knows the exact figure?-- If you were to start this program with just seniors -- I made mention of this to Donald DiFrancesco's staff a month or so ago -- it probably would not cost that much, but you would cover a great number of people. Then, as the years go on, if funds can be found, it can then be passed on. It could be like starting an insurance policy. You start with this, and then you add things on to it.

But the seniors really need the help now. I mean, as I said, I live in a very affluent town, but we have many seniors there who are house rich, as mentioned by the Mayor before, but they do not have the funds to keep things going. So if you were to start the program with the senior population of New Jersey, you would have two beneficial things: One would be to keep the cost of the program down, and to give the seniors a chance to stabilize the outflow of their moneys.

Thank you very much.

I have copies here of my statement, if you would like to have them.

SENATOR SCHLUTER: Do any Committee members have any questions? Senator Baer?

SENATOR BAER: No, a comment. I want to agree very much with the witness' perspective about the 60s being young.

SENATOR SCHLUTER: Thank you, Senator.

Mr. Linz?

MR. LINZ: Yes?

SENATOR SCHLUTER: We have no questions from the panel, so we thank you.

I might mention that just for your review and analysis, if you could look at SCR-42, which is another piece of legislation which is not the subject of this hearing, but--

MR. LINZ: Well, ACR-21 also.

SENATOR SCHLUTER: All right. I don't know about ACR-21.

MR. LINZ: Well, ACR-21 is to double the property tax on 250 and 500, but it takes a change in the Constitution.

SENATOR SCHLUTER: Thank you.

The next speaker we will have is Mr. Frank Spatola, National Association of Retired Federal Employees. Mr. Spatola? (no response) Not seeing him, we will call him again later on.

Irene Schmidt, Deputy Mayor, Scotch Plains.

DEPUTY MAYOR IRENE SCHMIDT: On behalf of the Mayor of Scotch Plains, who is our Mayor and an Assemblyman, Alan Augustine, I would like to welcome the Committee members and include a

statement that he has provided me. The Assemblyman is attending an important Appropriations Committee meeting today, and is unable to be here.

He wants you to know that he does support Senate Bill No. 1, and he appreciates the fact that this hearing is being held in Scotch Plains.

As far as comments on my behalf, today is tax day. My husband is on a pension which we all thought was going to be a very, very good one and would carry us for many years. Each tax time -- and this month is particularly bad because it is Federal tax time as well as property tax time -- it really does stifle your lifestyle. As the years go by, it will continue to stifle your lifestyle.

I am one of those younger older citizens. I hope I will continue to work until I am 70 or 80. It will become absolutely essential, or I will be one of those persons who will have to leave my community because I simply cannot afford to live here.

I have been in government for 14 years. I hear all the stories, both in the office of the Mayor and the Council, but also because I am Senator DiFrancesco's legislative aide. I hear all sides of the story, and it is a very, very serious situation in the State of New Jersey as far as the quality of life and what you have to pay for it.

Of course, I support Senate Bill No. 1.

I thank you for being here.

SENATOR BUBBA: Thank you, Irene.

Judy Peoples, Associate Director of Governmental Relations, New Jersey School Boards Association. That's some title. Judy used to work on Senate staff, so we know her.

JUDITH PEOPLES: Good afternoon, Senator. I am very happy to see you. It is a pleasure to be with you in Scotch Plains, home of the Senate President and prime sponsor of Senate Bill No. 1.

The New Jersey School Boards Association supports S-1, which will again provide home owners and tenants with a deduction on their New Jersey State income tax for property taxes. Municipal property taxes provide the majority of funding for the operation of schools in New Jersey.

The burden on the property tax has been rising precipitously over the past several years. The Governor's Fiscal Year 1997 proposed budget will provide State funds for only 38 percent of the cost of education -- coincidentally the same percentage the State was providing for education prior to the enactment of the income tax in 1976. Senate Bill No. 1 will allow property taxpayers some relief from this escalation in property taxes.

Looking into the near future, the "Comprehensive Plan for Educational Improvement and Financing" is silent on a source of revenue for school funding, except to say that funding will be determined by the Legislature and come from an appropriate combination of sources. The Plan proposes to continue the combination of local income and local property wealth as a determination of a local municipality's ability to fund education, notwithstanding the fact that municipalities cannot tax income. This morning, the Mayor of Glen Ridge, Mayor Lincoln, gave you a strong illustration of the effect of this combination of income and property wealth being combined as a determination of how much needs to be raised locally and said that it would impact greatly on Glen Ridge. This mixing of income and property tax wealth

as a basis for the calculation of property taxes should be removed from the next funding plan.

At our May 18 Delegate Assembly, the New Jersey School Boards Association delegates will be addressing the question of high property taxes. Their recommendations from the Delegate Assembly will be forwarded to you once the delegates have taken action.

There is no more fundamental issue before the Legislature than the question of funding for schools. New Jersey's current funding plan is both nonoperational and unconstitutional. The New Jersey School Boards Association looks forward to working with the Legislature during the coming debate on school funding.

We strongly support the release of this legislation.

SENATOR BUBBA: Thank you very much, Judy.

You bring up a very, very sore spot with me, and probably with some other legislators here; that is, the method of determining wealth in a community. That determination of wealth in a community has prevented assistance from the State with respect to education and, in turn, has driven school costs up tremendously and, in effect then, has driven the property tax up. I am very much in favor of changing that method.

I thank you for coming here today.

SENATOR SCHLUTER: Senator Bubba?

SENATOR BUBBA: Yes, Senator Schluter?

SENATOR SCHLUTER: Ms. Peoples, one question: Does the School Boards Association have a position with respect to implementation of

S-1 before the Comprehensive Plan and the financing of a comprehensive school plan is addressed by the Legislature?

MS. PEOPLES: I don't know, Senator, if it would happen prior to or simultaneously with. The Legislature is up against a September deadline, so there may be a new plan in the fall. I don't know the effective date of this bill. I don't think there would be a conflict. I think they would happen simultaneously.

SENATOR SCHLUTER: Has the School Boards taken a position with respect to that question?

MS. PEOPLES: No.

SENATOR SCHLUTER: Thank you.

SENATOR BUBBA: Senator Connors?

SENATOR CONNORS: A question, Ms. Peoples: Is it the beginning of September or the end of September?

MS. PEOPLES: The answer is "Yes." It is the beginning of September or the end of September. We have not been able-- It depends--

SENATOR CONNORS: Which is it? Is it September 1 or September 30?

MS. PEOPLES: --Senator, on who is speaking at the time. We have heard both dates.

SENATOR CONNORS: Yes, I know. I have heard both of them. I thought you might be an authority on--

MS. PEOPLES: Would you like me to choose one?

SENATOR CONNORS: I'm getting the answers I got before.

MS. PEOPLES: I think, from a practical standpoint, the Speaker of the Assembly has asked his task forces to have something in place prior to September 1 -- for action then. As a practical matter, I don't think it will happen before the end of September.

SENATOR BUBBA: Thank you, Judy.

MS. PEOPLES: Thank you.

SENATOR BAER: I have something.

SENATOR BUBBA: Yes?

SENATOR BAER: Since you are speaking on behalf of the schools, and this isn't a question of a mayoral issue, I want, again, to go into your perspective on the Municipal Property Tax Assistance Fund. As you know, school aid can come from that Fund. And, as you know, this is not just a Fund that exists in rhetoric to be raised, as someone suggested, in a partisan sense. This Fund was created under the State Constitution as a result of a referendum of all the citizens of this State. Schools are funded-- At least, State aid to schools comes substantially from this.

I wanted to ask you whether you have any concern that in reducing the revenue from that Fund there might be an indirect effect that is of some concern relative to the schools, that they may lose some State aid as a result of it? If so, how do we deal with that?

MS. PEOPLES: You do not ask simple questions, Senator.

I think, as I indicated earlier, this will not happen alone. It will happen in the context of a new funding formula for the schools of the State of New Jersey. The New Jersey School Boards Association supports a

nonregressive tax for what we consider the desired amount of funding from the State, statewide -- 50 percent funding for schools from the State of New Jersey.

We would like to see that come from a nonregressive tax. The income tax is a nonregressive tax, in that once you stop earning income, you stop paying the tax. So our basic policy is that we would like to see 50 percent of State funding for schools on a statewide basis based on a nonregressive tax.

Specifically to say whether this bill will impact negatively on the current situation is rather contemplative, considering the fact that a new funding formula has to be in place this fall.

SENATOR BAER: Relative to the 50 percent figure, is it not a fact that a number of years ago, on a statewide basis, the school systems were getting 50 percent, and substantially more, and that, in fact, we have had a drop of that?

SENATOR BUBBA: Senator Baer, may I just interrupt here, please?

You know, my policy has always been to give as much time as necessary to any member of this Committee on any subject at any time. However, I would really like to stick with the question at hand. We can discuss, at great length, the funding formula and how a number of things affect the education funding formula.

What I would like to do is-- I think your point is well taken. Your point, to me at least, clearly is: If we give a property tax deduction, in some way, there will be other aspects of the budget that are affected. We accept that. Senator DiFrancesco accepted that. I would rather not have a discussion of those items. I would rather have just a discussion of S-1, if you please.

SENATOR BAER: Well, Mr. Chairman, I can understand your not wanting necessarily to get into the historic side of this in terms of how different things might have been cut in the past, changes in the taxes. I will try to avoid that further, but I do want to bring to your attention that there has been extensive discussion of changes in the past by other witnesses, by yourself, by the sponsor, who spoke about various changes where there was an impact on property taxes.

The property tax situation is a complex thing. There are many different types of assistance that are funded by the Municipal Property Tax Assistance Fund. The whole situation is interrelated. If you want to leave the history out, that's fine with me. I hope it will be on an even-handed basis for all witnesses.

SENATOR BUBBA: Senator Baer, are you suggesting that I have not dealt on an even-handed basis with you or anyone else on this Committee over the years?

SENATOR BAER: I am speaking perspective.

SENATOR BUBBA: Well, I am not so concerned about how things got to the stage where we are now. My concern is this: When we start to discuss the funding formula for education and how this property tax deduction will affect, in some way, that funding formula, I don't think that is speaking of what things happened in the past. I think we are dealing with the bill as it relates to other extraneous matters.

I would like to deal with this bill as it relates to the property tax deduction and whether or not this Committee, in this hearing, gets all of the facts necessary to make a decision when we hear this before our Committee.

I thank you for your understanding.

Thank you, Ms. Peoples.

MS. PEOPLES: Thank you.

SENATOR BUBBA: Inger Gates.

I N G E R G A T E S: Good afternoon, Mr. Chairman, gentlemen of the Committee. I am Ms. Gates. I live in Clark.

Unfortunately -- let's put it this way -- my taxes are so high that, God forbid, something happens to my husband, because he is the only one who gets a pension from his company. Years ago, we did not qualify for pensions. They weren't there. Fortunately, my husband worked for a reliable company that gave him a pension.

If for any reason, God forbid, I lose my love, I would lose my house. We make \$2000 a month on pension. I pay \$650 taxes. Now, my Social Security will not pay for that if something happens to him, because I will get about two-thirds of what he gets.

Clark, unquestionably, by now is not pothole city, it is foxhole city. We don't have potholes, we have foxholes. If your car goes over a bump, I guarantee you, you will have no axle, you will have no tire, you will have part of your car missing. Our taxes are awful. We get no services. We have a Fire Department which is volunteer. We pay for our Police Department. I think our Police Department salaries are much too high for the community, number one.

Number two, I witnessed something a little bit sad about three weeks ago. I went shopping in the supermarket in Linden. It is not a big supermarket, but it is a supermarket. This elderly woman, say about 80 or 85,

got caught shoplifting. I went over to her. She stood there, and she was shaking like a leaf. I said to the assistant manager, who I know very well, "What happened?" She said, "Well, the woman got caught on tape. She stole a piece of meat worth about \$3 or \$4. I don't know the price exactly."

I said, "Oh my God." So I went over to the little old lady, because she was shaking something terrible, and I said to her -- I asked her a question: "Why are you doing this?" She said, "Well, let's put it this way: After I pay my husband's medical bill, I pay my taxes, I pay my gas, my light, my water, I haven't eaten meat in three months." I went over to the manager and I said, "How much is that piece of meat?" and I paid for it out of my own heart.

Now, do we senior citizens have to resort to this? It is not fair. If the property taxes are that high, can't they be adjusted the way an income tax is, according to what you make, is according to what you pay? Isn't there a possibility of doing it that way?

SENATOR BUBBA: If that is a question of me, there are a number of things under consideration at this time. Senator Connors and I have a bill in that would reduce, or freeze the school tax portion of the property taxes for seniors. All of that can be dealt with.

I didn't want to cut you off, but, you know, I really have to. We cannot get into that kind of a discussion at this particular time, because this is a discussion of this particular bill. So you are here today to-- We understand your point clearly, and I think you have made it eloquently. But we are here today to hear whether or not you support us voting for or against this measure for property tax relief.

I presume by your remarks that you are in favor of it.

MS. GATES: Well, let's put it this way: From what I understand, which I think would be logical -- I mean, I'm no politician nor no stateswoman, it is just common sense as a ordinary citizen-- If each family would be taxed according to the amount of children who went to school -- and I think they do that in some states-- If you have five children, you pay so much each year for each child to go to school.

Now, school taxes, that is what's killing us, believe it or not. If you figure out, if you belong to the regional district-- I mean, years ago, they used to give you pencils, papers, and pads. Now you have to buy them yourself. The children have to go to school with what they bring with them. They don't get anything. This, in itself-- I mean, where is the money going? Are the salaries that high that it is impossible?

There is a teacher in Clark who came all the way from Allentown, Pennsylvania, to teach in our school system. I asked her why. She said to me, "Well, they will pay me more here than they do in Allentown." Fine. Why can't we hire our own people? Do we have to go out of the State and bring them in? I said, "What if it snows?" She said, "Well, I book myself into Howard Johnson's, and they pay my hotel bill for the night." Hey!

SENATOR BUBBA: Who pays for it?

MS. GATES: The town pays for it. I mean, come on, that's not right.

SENATOR BUBBA: That's pretty good.

MS. GATES: I mean, I would like a job like that, too, if I got stuck someplace and I could go into a hotel and they say, "Okay, we will pay your bill." This thing has to stop. We have an old expression-- Fortunately,

my parents came from Europe, and we had an old expression in German, or they even say it in Jewish. It's kenuke. (phonetic spelling)

SENATOR BUBBA: We have one in Italian. It's pasta.
(laughter)

MS. GATES: Oh, that's another one. Okay.

I thank you for your time. I am only speaking here as a citizen of the Township of Clark. If I can in any way do anything--

SENATOR BAER: I have a very relevant question.

SENATOR BUBBA: Senator Baer.

SENATOR BAER: You expressed interest in some way we could act that would be sensitive to situations such as yours, or situations such as you describe where some folks are having tremendous distress with limited incomes, senior citizens, or whatever.

It occurred to me that we might not only consider the question of whether to vote for this legislation up or down, but whether to amend it. Senator Connors, earlier, made reference to an idea that I think is one that is very important for this Committee to consider. He made reference to what he called a "minimum rebate." If this bill contained within it a provision for a minimum rebate, it could, essentially, bring back something like the Homestead Rebate, which was a minimum rebate, that would provide great relief to many citizens in this situation. Now, the Homestead Rebate presently applies only to senior citizens, and then in a very limited way. At one time, it covered a wider range of people who were in this type of situation.

Is that something we should consider, or possibly some other device that could be put into this legislation that would be more sensitive to the type of problem that you describe?

MS. GATES: Well, let's put it this way, sir: First of all, when you get the home owners' rebate, you have to add it to your income tax. This, I think, is unjust. It is unfair, because this is already something you have paid taxes on. You are getting a rebate from your tax, but when you make out your income tax, you must add that to your earnings. So, what are you getting? You're getting less than what you were getting in the first place. You are actually paying Peter to pay Paul, and Mary is getting nothing.

I feel this way, like I said: We are not getting younger. Everyone on the board is getting older. I am getting older, God forbid, because I don't know how long I am going to live. But the thing is this: When you work hard -- and I worked hard all my life, and so did my husband -- you try to put something away for your old age, so you can say, "Hey, wait, maybe I can go on this cruise I haven't been on all my life. Maybe I can go on vacation for a couple of weeks, something I haven't done all my life."

Then, all of a sudden, you get a tax bill. Boom. There goes everything. You dig into what you have been saving to keep ahead of the game.

SENATOR BAER: Well, now, with the State income tax, isn't that something that is also deductible from your Federal income tax? If your State income tax is reduced by the amount of this change in S-1, would that also have a similar effect? I think the answer is "Yes," but in either case, the effect is small compared to the money that you would gain if you were to gain

a substantial property tax rebate, a minimum property tax rebate, which could put you well ahead of the game.

MS. GATES: I agree with that.

Thank you for your time, gentlemen.

SENATOR BUBBA: Thank you.

Bill McClintock.

C O U N C I L M A N W I L L I A M M c C L I N T O C K: Senator Bubba, gentlemen: Welcome to Scotch Plains, and thank you for the opportunity to testify on S-1, the property tax deduction proposal.

I am here wearing two hats today. I am a township Council member here in Scotch Plains and a former mayor. I am also a property owner and a taxpayer.

As a Councilman, I know the pressures we are all under to keep the property tax under control. I also understand the extra burden that is put on communities like Scotch Plains, which has to pay almost all of its school costs through the property tax.

The property tax has become a real burden to many people. Some of our seniors and those on fixed incomes, who have been referred to, certainly have this problem. In addition, there have been a lot of people who have been displaced over the last few years, who have had to change jobs, change careers, and many of them -- myself included -- are working with less income than we had four or five years ago. These people, as well as the seniors and people on fixed incomes, have trouble affording their homes in towns like Scotch Plains and in the State of New Jersey.

The property tax deduction recognizes this burden and gives some credit, at the State level, for the property taxes being paid by the home owner. I have spoken to many residents of Scotch Plains about this proposal, and every person I have discussed it with supports the idea. They think it is fair. They think it recognizes the burden of the property tax, and they recall that they used to have this deduction before it was taken away from them.

As a home owner and a property taxpayer, I feel the same frustration our residents have expressed to me, as their representative. Senate Bill No. 1 will help, both as a financial recognition for the property taxes we pay, but also as an acknowledgment by the State that it recognizes the contribution we are making to our local, county, and school systems, and that the State is sharing in this burden.

I am here today in support of S-1, and I thank you for your time and consideration.

SENATOR BUBBA: Thank you very much, Councilman.

Dr. Martin Marks?

Is Frank Spatola here? (no response)

All right. Dr. Marks will be our last witness.

MARTIN MARKS, D.M.D.: What prestige.

Thank you very much, Senators, for allowing me to speak, and thank you for coming to Scotch Plains. I think it is a great idea, and I encourage you to take your show on the road more often and make it available to citizens like myself.

I am a Planning Board member here in Scotch Plains. I do not speak for the Planning Board, I speak for myself. I am 34 years old. Not only

is today tax day here in Scotch Plains, but it is my 34th birthday, so this is a wonderful birthday present for me.

I have been a property owner in Scotch Plains since 1990, which was a magical year, as we have come to know. In 1990, the rug was taken out from under my family's feet in a couple of respects by State government. First of all, we had, I believe, the largest State income tax increase in the history of the State that year. In addition, we then became unable to deduct our property taxes from our State income tax. So we were doubly blessed that year in this State.

In Scotch Plains, we are a relatively sleepy bedroom community. We do not have big retail. We do not have big industrial that would help add to the coffers and add to our tax revenue base. Therefore, the burden of maintaining our excellent school system, our fantastic municipal services, falls on the shoulders of the residential property owner.

This bill, I think, would ease that burden tremendously, and I encourage its support. This year, I am a candidate for Council in Scotch Plains, and the feedback I get from our residents-- Every time we knock on a door, the first thing out of their mouths is, "Why are my property taxes so high? I can't afford to live here anymore." It is just a darn shame. I would encourage this bill's support.

I would also encourage our State government to continue in its fine efforts -- since 1992 -- to reduce the burden on its taxpayers. You guys are doing a wonderful job. Keep up the good work.

Lastly, I would like to say -- I know that Senator DiFrancesco is lurking in the building somewhere -- I want to thank him not only for being

Scotch Plains' favorite son, but also for being a great friend to every taxpayer in this State.

Thanks for your time.

SENATOR BUBBA: Thank you very much, Doctor.

SENATOR BAER: I would like to make a final statement before you close.

SENATOR BUBBA: Yes, Senator Baer?

SENATOR BAER: I think this hearing has been a very valuable hearing. I think this legislation is legislation that deserves very careful consideration.

I would like to pick up on a point that was made by Senator Connors, where he spoke about our considering having a minimum rebate. It seems to me that that is a very key issue, and that if we can agree to have a very significant minimum rebate, something that is comparable to that which at one time was in effect, I think we could have a very constructive, nonpartisan agreement that would benefit citizens all over this State.

As I have looked at this situation, and looked at the net effect of where we are now with property taxes as a result of the actions that have been taken and the trends that have been occurring, and everything, and based on an analysis that the nonpartisan Office of Legislative Services made, which took into account the typical effect on property taxes of some of the things that have been done in recent years, notably the income tax reduction and the Homestead Rebate repeal, I find that although substantial property tax relief is provided for a family of \$150,000 taxable income with an \$8000 property tax, something like \$1800 total effect from these two main things, without

taking into account a lot of the -- some of the secondary and tertiary things, that the effect on other families, such as a \$50,000 taxable income family with a \$4000 property tax, is very much different.

That family, with the adoption of this new measure, would still be suffering a total loss of \$85, because the little bit they would gain from this does not offset what they lost from the Homestead Rebate loss and the very little amount that they gained from the income tax cut. When you go to a family of \$30,000 taxable income and a \$3000 property tax, the situation is even more dramatic. That family is still losing \$162.50. So, in fact, the gap in benefit from this middle income, \$150,000, to the moderate income, \$30,000, is nearly \$2000.

If we were able to accommodate a minimum rebate, a real meaningful one in line with Senator Connors' idea and my thoughts, something that would approximate the restoration of the Homestead Rebate, then it seems to me that we would not only be able to provide relief across the board for all families, but that we would find that that disparity that had grown to \$2000 would be closer to \$1000, and we would find that the two families, in the middle and the moderate, which have small losses as a result of all these changes, would be in the black by a significant amount.

So I urge that we give that consideration between now and our next meeting -- the sponsor do that, the Committee do that -- look at that further. I welcome Senator Connors' suggestion, and I reach my hand out with the idea that we can have a bipartisan agreement here, work this out together, and get some very significant action, relief for all citizens.

SENATOR BUBBA: Thank you, Senator Baer.

Senator Connors?

SENATOR CONNORS: Thank you, Mr. Chairman.

I would just like to take this opportunity to thank you, Mr. Chairman, for conducting an excellent hearing, and thank the public for attending here today to give us some very positive input.

I realize this is a hearing for the purpose of hearing a bill and to elicit support for the bill that has come forward. It has been very nice, only because I am in favor of the bill. Probably there might be someone who is opposed to it, but I haven't seen anyone as yet.

One of the problems that has surfaced here, and I would like to just ask your permission to leave the Committee with some thoughts with regard to it, is the depletion of funds that could come about from the loss of municipal aid. Senator DiFrancesco discussed that, and I am very much satisfied with his answer.

But there is another answer, and I would suggest that we look at this as a possible amendment. I am not suggesting an amendment. I realize this is not a voting session. I understand we are going to have this bill before this Committee for a vote on the 9th. However, I think we should probably consider a phasing in of this program over a period of, say, four or five years, to allow a gentle adjustment to take place, without starting with a revenue of \$200 million. That would be one thing. I am not stiff on four or five years, I am just making that recommendation. I throw that out for the Committee to think about.

Then, while sitting here-- We began the 1995 budget -- the Fiscal Year 1995 budget -- with \$550 million in surplus. Perhaps we should consider

an amendment that would, dollar for dollar, replace the funds spent in the income tax deduction, to be taken from the General Fund with a poison pill that would kill the deduction should the Legislature and the Governor fail to appropriate and spend the replacement. That way there would be a guarantee that the income tax funds would be used for property tax relief, for schooling, and so forth, as it is constitutionally dedicated.

With such an amendment, school aid, municipal aid, etc., would be protected from any loss of income tax revenue. The State would be in a better position to utilize the funds from the General Fund to assure that no loss of dedicated income for tax revenues would be lost.

I just throw that out now as a possible thought for the Committee to consider before the next time we meet, which I understand will be on June 9. I am in support of the bill as is, but I think we should discuss those things.

SENATOR BUBBA: Thank you, Senator Connors. I think the meeting date is going to be May 9.

SENATOR CONNORS: May 9. What did I say, June 9?

SENATOR BUBBA: Yes.

SENATOR CONNORS: I apologize.

SENATOR BUBBA: I, too, want to thank the people who have attended the hearing today, and thank the speakers for coming to Scotch Plains. I note that one of our speakers said we ought to do this more often. I think he's right. I think we benefit tremendously when we get out into the field and talk to the people who do the voting and do the paying of taxes in our various communities.

I thank you very much for spending time with us. I hope we weren't too boring. I hope we gave everyone an opportunity to speak. Once again, it was a pleasure being here.

SENATOR BAER: Thank you, Mr. Chairman.

(HEARING CONCLUDED)