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

before

SENATE COMMITTEE ON REVISION AND
AMENDMENT OF LAWS.

on

Assembly Bill No. 350, Senate Bill No. 6, Senate Bill No. 211, Senate Bill No. 241, Senate Concurrent Resolution No. 24, and Senate Joint Resolution No. 15 - (Property Tax Assessing).

Held:
July 11, 1958
City Hall
Camden, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Senator Wayne Dumont, Jr. (Chairman)

Senator Robert C. Crane

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I N D E X

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SENATOR WAYNE DUMONT, JR. (THE CHAIRMAN): This public hearing this morning is the second one held by the Senate Committee on Revision and Amendment of Laws with reference to the bills that are pending before the Committee on assessing procedures throughout New Jersey. Copies of some of the bills have already been disposed of completely; in other words, all the printed copies are out somewhere in circulation, which has made it impossible to get copies. Therefore, I think that some brief summary might be in order as to what bills are being considered and what they are designed to do.

The hearing will be on the bills that are in the Committee at the present time. They are Assembly Bill 350, a bill sponsored by Assemblymen Musto and Hauser from Hudson County. Assemblyman Musto is here on my left. This bill is designed to remove the full and fair value clause from the present legislation and to set up about five or six different elements that an assessor would use in determining the value to fix on a parcel of real property.

Along the same lines is Senate Bill No. 6, sponsored by me, which also is in the Committee. These two bills are not quite identical but they are very close to being identical, particularly in the language of removing the full and fair value clause, which has given rise to the interpretation of 100 per cent assessing, and in the elements that the assessor would use in order to fix the valuation on real property.

Then there is Senate Bill 211, sponsored by me, which has to do with the first recommendation of the State Tax Policy Commission's Ninth Report, which provides for a uniform 40 per cent assessing ratio of fair market value on all real

property, regardless of use and regardless of where it is located in New Jersey, and also 40 per cent of book value; that is, cost less depreciation, on business machinery and equipment, and 10 per cent of book value on business inventory.

We also have before us Senate Bill 241 by Senator Farley of Atlantic County, copies of which are available here, which would create the office of County Supervisor for the Equalization of Taxes in each county, an office to which the appointee would be named by the Board of Chosen Freeholders of the county.

Along with that bill is Senate Concurrent Resolution No. 24, also by Senator Farley, which proposes an amendment to the Constitution of New Jersey and which would permit the classification of railroad property to be assessed as a separate class of property, separate and distinct from other classes or kinds of real property.

Now, today's hearing does not have to be confined to those bills. As a matter of fact, we hope that out of these public hearings we will get, as we did in the water hearings of last summer, many valuable suggestions and recommendations from the people of the State. That's why we come to your area today to get help from you as to how we can best resolve this problem, which is perhaps the most difficult one and the most vital one in New Jersey today, in such a manner that it will be fair and just to all the people of the State. And that's quite an order.

I would like particularly to thank Senator Joseph Cowgill of Camden County, who has been most cooperative and helpful in arranging this public hearing today - the hearing place and all the details connected with it. I am sure I don't need to

introduce him to you because you are all well acquainted with him; also the Speaker of the Assembly, likewise from Camden County, Bill Hyland, who is on my right.

We will note the appearance of any other legislators who come in as they arrive. At the present time, there are no other members of the Senate Committee on Revision and Amendment of Laws here, but we expect that some of them will come in later and perhaps also some members of the Assembly Committee on Revision and Amendment of Laws.

The first witness is Mr. James G. Aiken, Solicitor of the Borough of Oaklyn. I would like to ask the witness to take this chair over here, please. In addition to any questions which the Committee members or other legislators may ask of witnesses, you are also to be given the opportunity, any of you, to ask any questions you desire to ask of a witness as long as it's a relevant question. However, I must insist that, when you do, you give your name and also come down to the front of the hearing room and either use one of these microphones or the one by the witness. On that basis, we would appreciate your cooperation, and you may ask any questions that you like.

MR. JAMES G. AIKEN: Mr. Chairman, on behalf of the Mayor and Borough Council of the Borough of Oaklyn, Camden County, I am authorized to put this statement on the record; that is that they favor the passage of Senate Joint Resolution No. 15, which extends the effect of the Middletown decision for one year.

THE CHAIRMAN: I'm glad that you mentioned that because I forgot completely to note that that's part of the hearing - Senate Joint Resolution No. 15 - which is a resolution that

would ask the Attorney General of New Jersey to get from the Supreme Court of New Jersey postponement of the effective date of Switz vs. Middletown Township from January 1, 1959, to January 1, 1960. It's an identical resolution, by the way, to Senate Joint Resolution No. 12 which is presently on second reading in the Assembly, and the reason this SJR 15 was introduced was so there would be a resolution before our Committee at the time of the hearing.

Do you have any other statement you want to make?

MR. AIKEN: No, I do not.

THE CHAIRMAN: Are there any questions?

Thank you very much.

The next witness is Mr. Charles L. Andrews, Assessor of Moorestown, New Jersey.

MR. CHARLES L. ANDREWS: Gentlemen, my name is Charles L. Andrews. I am the Tax Assessor in Moorestown Township, Burlington County, New Jersey. I happen to have the pleasure of being on the Tax Study Committee for the New Jersey League of Municipalities. That Committee has analyzed and studied the various bills that have been presented to the State since the beginning of the year on this new state tax problem. All of the bills have some good in them and all have some bad in them.

The thing that strikes us in South Jersey is that we want a uniform bill. We would suggest that 40 per cent is very satisfactory and we feel that it might as well be put into effect in 1959 as the law requires. Postponement will just cause a big delay, and if you wait until everybody is ready nothing will ever be done.

I further approve of our including personal property in the new tax bill for the psychological reason that, in the first place, it does produce good revenue for the municipalities and if you had an exemption of all personal property, residential personal property, the people who live in apartments will feel that they have no place in the government, and it's best to make everybody tax conscious but not burdened too much by taxes.

We feel also that uniform ratio of taxation without classification is desirable. In some areas of the State they assess commercial and industrial property at much heavier rates than they do residential, for the simple reason that the votes come from residences and not from industry. That policy is not in general practice in South Jersey, and let's hope it never gets here. North Jersey wants us to legalize their errors and they have been doing it for political expediency and we feel they should take the brunt when they have to put the tax back where it belongs according to the law.

Our great problem is simple. There is just too much taxes. Real estate is carrying the entire load, and that is unfortunate. Of all the states in the Union, there are only two that have neither a sales tax nor a state income tax. New Jersey is one. In most states that have a sales tax, there is a much lower real estate tax. The tax runs about 50 per cent. As a tax assessor, it just burns my heart out when all the folks come to me and say, "Mr. Andrews, we have cleared our home. We hope to retire and stay there. If the taxes continue to go up, we can't afford to live. What can we do?" As a tax assessor, I have no answer. I don't look into the background

to see if they have the ability to pay. The Tax Assessor assesses according to the value of the property.

Thank you, gentlemen.

THE CHAIRMAN: Are there any questions of Mr. Andrews? Does anybody in the audience have any questions they desire to ask?

Thank you very much, Mr. Andrews.

The next witness is Mr. William T. Somers of the County Board of Taxation of Atlantic County, from Atlantic City.

MR. WILLIAM T. SOMERS: Senator Dumont and gentlemen of the Committee, my name is Somers; I am the Secretary of the Atlantic County Board of Taxation, encompassing of course Atlantic County, with offices in Atlantic City, New Jersey.

I do not have a prepared statement. However, I have asked to be heard by this Committee inasmuch as we have promulgated certain views which we think might be wise to be directed to the attention of this Committee and the people in this room representing the South Jersey area.

At the outset, I think I should say that so far as we are concerned in Atlantic County - and I am speaking not only for the county board but the majority opinion of assessors and collectors within our county - we wholeheartedly, Senator, are in favor of Senate Joint Resolution No. 15 asking for an extension of the Supreme Court mandate, as handed down in the Switz case, for one year.

If I may presume upon the Committee's time and the time of the people who have gathered in this room, I would like to digress for just a moment and talk a little bit taxwise about

classification in one of our cities in Atlantic County, residentially with an average of about 26%, the most recent sales ratio data shows a low ratio of 4% to true value, in accordance with a very recent sale, and a high ratio of 86%, although the average is 25.

Too, with the publication of the Sixth Report of the State Tax Policy Commission, the Division of Taxation made it be known throughout the State of New Jersey that these ratios should be used and given weight for the apportionment of county costs. It had already been predetermined, by the passage of some new school legislation and the writing into that legislation of an equalization formula, that school moneys henceforth would be disbursed in accordance with equalized valuation under a formula which took into consideration a proportion or share of franchise taxes as well as average daily attendance, with a minimum per pupil basis. And each county in the State of New Jersey knew at the time, and many of the tax men knew at the time, that this particular equalization factor was in the school formula and was eventually going to force, through the back door, I suppose is the best way to describe it, equalization of taxation for county purposes, and then eventually equalization of taxation within a given county.

In 1955, one full year prior to the 21 other counties' using the ratios as promulgated in the Sixth Report, Atlantic County and three other counties attempted the first step in an equalization program. The following year every county in the State of New Jersey, and Atlantic County has the rather dubious distinction, I suppose, of being the one county that has not followed the prescribed formula at 100%, as is the case

in the other 20 counties. We promulgated our program over a 5-year period in an endeavor to cushion the shock of increased county cost to each municipality. And we did that for a very simple purpose, at least in our mind. We had definitely been shown and we had definitely proved that in a residential community, for instance, where the average ratio of assessment might be only 10% average, we had sales studies there from the properties that we did study that showed that ratios ran as low as 3% and as high as 50%. Had we equalized that particular municipality and the entire county at 100% in one year's time, each of those taxpayers and many others whose properties did not show in the sampling, who are way below or way above the average, would have been disproportionately bearing an unfair share of the county load, and they will continue to bear an unfair share of the county load until such time as that municipality has been able to obtain equality of assessment within their own municipality.

Along the line with that program, the Local Property Tax Bureau instituted in-service training courses and, along with in-service training courses, was the publication of an assessor's manual. The Assessor's Manual, as promulgated in the State of New Jersey, was distributed to all assessors and, supposedly with their attendance in these courses, they were to familiarize themselves enough with the technical details of appraisal and assessment to enable them to go back into their community and equalize within the taxpayers and between properties all assessments within their districts. I do not think I have to tell you gentlemen of the success of this program on a state-wide basis up until now; although some

will recall that after the mandate was handed down by the court and it looked like 1959 might be the target date for 100% assessment, a flood of bills went into the hoppers into the Assembly and the Senate and many of those, as I recall - one in particular, a homestead bill which would have allowed an exemption for residential property occupied by an owner up to $5,000 - and actually this homestead feature in any form of taxation is getting right back to what we have now, classification, because if you are going to assess all property at 100%, but allow homestead exemptions up to $5,000, you can see that the residential property is approximately going to be assessed at 50% of true value rather than 100%. But inasmuch as the thinking is now getting away from the 100% assessment, we now have before us a series of bills which I think in all of them there is a lot of good, and in some of them there are features that are not so good, and I am specifically speaking in behalf of the bill which I personally favor and which, in the consensus of opinion in South Jersey - one is a bill and one is a concurrent resolution- are the two which seem to be the most popular in our area.

I heard before this Committee just a few weeks ago when you took testimony in Trenton a bill, sponsored I believe by Hudson County, which actually, if you boil it all down and read it, is a bill which changes a word and finally says, "full and fair value," which in our opinion is just another way of saying 100%. Hudson County, incidentally, is assessing at ratios somewhere between 70 and 80%, and has most of the railroad property in the State of New Jersey, and that has been a problem in that particular county for years, and naturally they favor a bill promulgating ratios at true full value or

100% assessment because it would be an easy matter then to bring up their assessments the ten or twenty points necessary. However, the majority of the counties in the State of New Jersey, some 17 of them, are assessing at average ratios within their counties of 25% or less. It would certainly occur to me that those counties are the ones which should get the most consideration in trying to resolve this very, very difficult problem.

The northern Jersey area, with its proximity and geographical location to the New York Harbor and the Hudson River, and the very industrialized feature and the makeup of the northern section of the State itself, is entirely different from what we have in the South Jersey area, whereby in Camden and Cape May, Cumberland, Monmouth, and Atlantic County most of the officials, be they municipal or county officials in those areas, see before them in their counties hundreds of thousands of acres of scrub pine and meadows and swamp, and they have tried to encourage industry to come into this section of the State so that the economy of this particular section of the State may be bolstered. Although there is no provision in the law for it, I think that the facts speak for themselves that industry in the southern area of New Jersey is not assessed anywhere near the ratio of assessment that industry would be assessed in your northern counties.

So that in this problem of trying to reconcile legislation which is going to act fairly to all of the 21 counties in the State of New Jersey, I am speaking today in behalf of Senate Bill No. 241 and Concurrent Resolution No. 24. It is quite possible that Senate Bill No. 241, which creates the office of County Supervisor, could very well stand some modification and incorporation of a few ideas to broaden the scope of the bill

and that Concurrent Resolution No. 24, which more or less leaves the adoption of a ratio of assessment to each municipality, could be modified so that that too could be determined possibly at the county level.

The Sixth Report, some years ago, recommended very vehemently that administration at the local level seemed to be the biggest problem that needed correcting and they recommended assessment at a county level.

I believe that Senate Bill No. 241, which creates a county office of supervisor and which would provide for the staffing of that particular office with trained professional help to actually assist the assessor in the field, is a step toward that direction and that, eventually, if that becomes successful, we might very easily be able to incorporate the local municipal assessors within a given county into the county staff as full-time trained employees to go out into any community of their county and, using prescribed methods and standards of assessment, do the job of trying to obtain uniformity of assessment within each municipality.

I would like to note here that inasmuch as no direct State taxes are involved it occurs to us that the county would be the best division of government to set up within their county the prescribed ratios for the municipalities of their county to follow. And actually it makes no difference what ratio is finally promulgated in each county so long as you have good local equality in the first instance.

It has been said, not by me, - I wish I did say it - but it has been said that nothing will beat good quality local assessment. And that seems to be the bugaboo of the entire

problem - how do we obtain good quality local assessment?

Some of these bills outline the duties of the assesor and one of them in particular prescribes in great detail how the assessor shall obtain an assessment on a given building; but one thing it does not do - we know in many instances and some of our assessors know how to obtain a good assessment on a building but in too many of our communities, and I think this applies throughout the State, we have part-time assessors, many of them are inadequately staffed, inadequately equipped, many of them are woefully underpaid, many of them are subject to elections and no qualifications are set up. There is no standardization for a guide so that an assessor, upon assuming office throughout New Jersey or throughout any one county, actually has set uniform rules that he knows he has to follow. And, consequently, each assessor in his own right and in his own mind as he assesses buildings sets a value on the building as he sees it. And I think you well know through your experience that any three assessors can be shown the same three buildings and three contractors can look at the same three buildings, three realtors will look at the same three buildings, and inevitably you will have nine different prices from the nine men who have set the value on a particular building because exercising judgment must be used.

I don't think that anyone on this Committee or anyone in tax business expects to see taxation accomplished to the nth degree whereby we have absolute perfection. The job of getting equality within a municipality is difficult.

Assuming that a bill were immediately passed and the standard was set at 40% and October 1 was the deadline to accomplish that, who is going to arrive at 40% of true value on

the properties in their community? We are right back again to the local assessor. And in our particular county, in 23 municipalities we have only one city that employs three full-time assessors. All other assessors are part-time. Their salaries range as low as $200 a year and as high as $2600 a year. And in one municipality, out of 23, the assessor is elected.

I believe that Senate Bill No. 241, with some possible modification which would establish a county supervisor of taxation who could set down rules and regulations for the assessors to follow in prescribed detail and back those rules and regulations up with the engagement of some professional help to actually go into the field to assist the assessor to do his job, would possibly be a step toward - I do not say it is a cure-all for- solving our problems in taxation. And I am here today to tell you gentlemen and to put into the record our particular feeling toward this bill, especially for the South Jersey areas.

At the present time, knowing that we have a more or less jumbled classification system in the State of New Jersey with highs and lows within ratio, if we would assess throughout the State on a statewide basis on any ratio it is the same as saying 100%. If we accept any standardized ratio on a statewide basis, it would make no difference whether that standard would be 10% or 20% or 50% or 100% because the adoption of a statewide standard would to each individual taxpayer accomplish the same result as 100% assessment. The only thing that would fluctuate within the community to the individual taxpayer would be the tax rate. And inasmuch as our problems here in South Jersey and the assessments in South Jersey show average ratios of between 20% and 25% with most of our communities falling within

the 10% category, we believe it would be most expeditious to allow government at the county level to try to resolve the problems within their own counties and consequently be in a position to sit down with the municipal officials of each municipality within their county and resolve the very different economic and geographic problems that are akin to the South Jersey area but are something different in the middle of the State and in the northern section of the State.

In our county very recently the highest ratio community in our county shows a ratio of approximately 31% and the lowest ratio community shows a ratio of 8%. And we have had a very, very difficult time, gentlemen, with assessors throughout our rural areas, as we call them, - that's in all 22 districts excepting the 1 large city - who are now coming in to us and bitterly attacking the entire method of arriving at an average ratio for a community. The process of arriving at an average ratio for a community is, each county board acts as a clearing house for local property tax; as abstracts of deeds come from the county clerk's office our men write up the information on what we call an SR-1 form, we take the revenue stamp from the abstract of deed, or settlement sheet price if we can get it, to compute a price and then we send that out to the assessor who puts in the assessment. If it is a bona fide sale between a willing buyer, willing seller, and it does not involve many of the non-usables such as inter-corporate sales or within families or between municipalities and the taxpayer, that sale then is sent up to Trenton to Local Property Tax. But one of the things which the ratios in Trenton are promulgated on and the main thing is the fact that a sale is a bona fide sale.

There are many conditions oftentimes to a sale that are not investigated by us because we have no authority under the statute and, as a matter of fact, under the statute we don't even have to do the work but, of course, all county boards are cooperating. We have no authority to pursue the study of that sale further and the Local Property Tax Bureau does not pursue it further, other than to determine that it is a bona fide sale.

Where you have neighborhood deterioration, where you have personal property involved in a sale, where you have a building which is in a very, very poor condition - and a perfect example of that is a very recent sale which I saw on my desk showing a ratio of 68% and investigation by my office - and we don't have time to do it with the present staff - showed that this building actually was in such poor condition that the man who bought it contemplated spending as much again as what he paid; however, that particular sale was bona fide and goes through showing a ratio of 68% when in fact when the building is completed and the additional investment is added to what he originally paid, the ratio is immediately cut in half, to 34%.

There again, in the promulgation of ratios which are certified by Local Property Tax on October 1, and a preliminary table which just recently came out, not once has a community in our particular town appealed to the Local Property Tax Bureau pertaining to their ratio on October 1 for the allocation of school money, and school moneys in Atlantic County compose 50% and greater of every municipal budget. Not one appeal has been made. However, come January 18th when the preliminary equalization table is posted for the apportionment of county taxes, all 23 municipalities run into the County Tax Board and scream to us

about ratios which we did not promulgate and we are put in the position where we now have to try to defend the ratios which are promulgated by the Local Property Tax Bureau.

One of the problems in administration at the local level is the statute which says that the assessor must annually inspect the property within his district. This, in most instances, is a physical impossibility with part-time assessors and in most cases is ignored. It has been suggested that this be tri-annually rather than annually. Perhaps this Committee could work in the direction of trying to accomplish that end because the present statute is not at all adhered to by most assessors throughout the State of New Jersey due to the physical impossibility of doing this.

These are just some of the things on administration which we would like to bring to the attention of the Committee and it is our feeling that the entire problem of trying to resolve this is a problem of administration and that is, how do you accomplish good quality assessment at the local level. We believe that possibly a step in that direction would be the creation under Senate Bill No. 241 of the office of county supervisor with a trained qualified staff to assist the assessor in the field to attain those ends.

Gentlemen, I hope you will forgive me for imposing on your time to this extent. I didn't expect to speak that long and thank you very, very much for the courtesy in allowing me to appear.

THE CHAIRMAN: Mr. Somers, Speaker Hyland has some questions.

MR. SOMERS: Yes, sir.

ASSEMBLYMAN HYLAND: I would like to know, Mr. Somers, why it is your feeling that there should be or need be a county supervisor of equalization in place of the performance of this function by the County Board of Taxation.

MR. SOMERS: I do not believe that at the present time the county boards in our particular area are adequately staffed to possibly do the job.

ASSEMBLYMAN HYLAND: Well isn't the answer then to adequately staff the county boards of taxation?

MR. SOMERS: Yes, sir, to the degree that, at least the way that I look at the bill, the office could be sufficiently staffed to engage trained professional appraisers to actually go out into the field with the local assessor.

ASSEMBLYMAN HYLAND: You feel, in other words, with adequate staffs in the county boards of taxation there wouldn't be a need for this separate office of county supervisor.

MR. SOMERS: Excepting this, sir, most county boards, I believe, meet once or twice a month. Those jobs too are appointive and the turnover in county boards oftentimes fluctuates. County board members oftentimes -- well, it is a rare thing when you get an attorney on the board and in most cases you will get laymen on the board rather than an attorney or realtors. Inasmuch as the county boards presently function more or less twice a month, more frequently at appeal time of course, I am wondering whether or not the county boards as we presently know them would not be essentially better off if the function of the county board became strictly appellate,and that the functions of equalization, striking rates and making up ratables and supervising assessors and assessment practices should not be

placed more directly in the hands of a county office, full time, with a staff, full-time, and keep abreast of the changes and adequately do the job even though the boards may change annually or every three years.

ASSEMBLYMAN HYLAND: Now, I notice also that under this measure, Senate 241, the only regulatory supervision over these new county offices that would be created would be with respect to the promulgation of administrative regulations. Isn't it quite possible that we would find ourselves with 21 different standards and methods of equalization, according to the practices established by the supervisors in each county? and do you think that's a good thing in a state where we are trying to get uniformity of assessment?

MR. SOMERS: Yes, sir, it is very possible that 21 counties could be assessing at 21 different standards of value. They presently are doing just that under our present system. They are not only doing it under our present system but they are compounding it four times within a classification of property. It undoubtedly would occur that 21 counties might possibly have 21 different averages but if we are going to continue to use the sales ratio data as compiled by the Local Property Tax Bureau as the mandatory basis of apportionment for school aid and bills are now in the hopper which would make it mandatory to also use those ratios for the apportionment of county costs, we already then have at our disposal the method of apportionment of school costs in county government; so the fact that we would use a standard in our county of 25% as opposed to, maybe, Camden at 35 or 40 and Hudson at 60, it would make little or no difference as long as we do have uniformity, which we do not have now, within a given county.

ASSEMBLYMAN HYLAND: Yes, but under this bill, under this type of a system you would not be obliged to use sales ratio data, would you? speaking of the county supervisors.

MR. SOMERS: Yes, sir. I think that the sales ratio data would continue to play an important part.

ASSEMBLYMAN HYLAND: Who would require the county supervisor to use sales ratio data?

MR. SOMERS: Yes, sir, it would. However, under this particular bill I think there could be provisions made so that the investigation of the sales, other than for bona fide sale reasons, could be more thoroughly pursued at the local level and it is quite possible that these ratios could be changed to quite some degree before they even get to Local Property Tax due to the fact that many of the sales that we are now getting through, although bona fide, do not show neighborhood deterioration, or do not show personal property included in a sale, or do not show the condition of a building. We make no attempt now, sir, to investigate any of those sales. All we do is act as a clearing house in sending information to the Local Property Tax Bureau.

ASSEMBLYMAN HYLAND: Thank you.

THE CHAIRMAN: Any further questions of Mr. Somers? Any questions from the audience?

I have a couple for you, Mr. Somers.

MR. SOMERS: Yes, sir.

THE CHAIRMAN: I just want to make sure that I understand your position on these bills that you reviewed. I take it that you are not in favor of A-350 and S-6, but I am not sure that I got your reason for being against them. Those are the bills that would remove the full and fair value clause and

MR. SOMERS: Very recently, Senator, I had an earnest discussion concerning railroads with Roland Major and William Kingsley, Director of the Division of Taxation, and a very, very recent publication for release, I should say, from the Division of Taxation has now brought to light the fact that many people for years have been saying that railroads is the only class of property that has been assessed at 100% in New Jersey for a number of years. There is now some serious doubt as to whether or not that statement is true. As a matter of fact, the last thorough investigation of railroad property in the State of New Jersey for assessment purposes occurred back in 1911, Senator, and as I understand, Senator, recently they asked for $750,000 to do a revaluation of second class railroad property. I am not saying, Senator, that the railroads do not have a specific problem. I believe they do but that's not within my jurisdiction to comment about, I know not that much about it.

THE CHAIRMAN: How many of your municipalities in Atlantic County have either completed revaluation programs or have contracted to complete them by January 1, 1959?

MR. SOMERS: We have two communities that completed revaluations back in 1953, one community had a very sad experience and the county board had to sit down with the assessors the following year and completely revise every land value in the community as well as go over building values. The other community has an excellent competent assessor, who knows his business and his work and works well. That is the one community in Atlantic County that is assessing at the ratio of 15% and every sale that comes through is within a point, one way or the other, of that ratio.

Last year three communities completed their revaluation and two are now presently under way.

THE CHAIRMAN: You have a total of seven then, all told?

MR. SOMERS: A total of seven, all told.

THE CHAIRMAN: Out of 23.

MR. SOMERS: Out of 23.

THE CHAIRMAN: Assemblyman Musto.

ASSEMBLYMAN MUSTO: Mr. Somers, I am one of the sponsors of Assembly Bill 350 and I want you to know at the outset that we have excellent authority that says that Assembly 350 does not result in 100% taxation. Now let's presume that A-350 does not result in 100%, what would be your view of A-350 then?

MR. SOMERS: Well, Assemblyman, I would still have to say that I personally am in favor of the establishment of a ratio within a given county even though it might be different than your ratio in your particular county.

ASSEMBLYMAN MUSTO: Do I understand you, Mr. Somers, to say then that you favor a county ratio?

MR. SOMERS: Yes, sir.

ASSEMBLYMAN MUSTO: Even though it would create 21 different ratios within the State of New Jersey?

MR. SOMERS: Yes, sir.

ASSEMBLYMAN MUSTO: But you don't want the local communities to fix their ratios?

MR. SOMERS: I would rather have the county do it.

ASSEMBLYMAN MUSTO: In other words, you basically then are against the home rule of the community in creating their own ratio but you would favor it on a county-wide basis.

MR. SOMERS: Yes, sir.

ASSEMBLYMAN MUSTO: Is there any particular reason why except for the fact that, you stated before I believe, we didn't have competent assessors?

MR. SOMERS: I wouldn't want to use that in the over-all picture. We have many competent assessors in Atlantic County. Unfortunately, most of them are part-time employees and most of them, due to the fact that they are inadequately staffed and equipped and underpaid, cannot and will not devote the time from their own livelihood.

ASSEMBLYMAN MUSTO: Just for the sake of argument, I would like you to presume, so that I can really get the true picture in your mind -- that's why I wish you had a prepared statement. I have listened but I haven't been able to put it together the way I would like to. But presume you could get a community to assess as you would like them to assess, such as you suggest on a county-wide basis, would you then favor local assessment or do you insist that it should be on a county-wide basis, period?

MR. SOMERS: I do not see how, under the present system or the promulgation of any rules or manuals or tables which are going to lay down what assessors should do, it is going to be successful unless we can obtain the assessors who are qualified and adequately paid and staffed to do the job.

ASSEMBLYMAN MUSTO: Well, in my community of Union City we have qualified assessors and we have no trouble at all. I presume that should be the case in most communities in the State. If not, we should correct it.

MR. SOMERS: I didn't hear the last part.

ASSEMBLYMAN MUSTO: I would presume if there are

ASSEMBLYMAN MUSTO: Is there any particular reason why except for the fact that, you stated before I believe, we didn't have competent assessors?

MR. SOMERS: I wouldn't want to use that in the over-all picture. We have many competent assessors in Atlantic County. Unfortunately, most of them are part-time employees and most of them, due to the fact that they are inadequately staffed and equipped and underpaid, cannot and will not devote the time from their own livelihood.

ASSEMBLYMAN MUSTO: Just for the sake of argument, I would like you to presume, so that I can really get the true picture in your mind -- that's why I wish you had a prepared statement. I have listened but I haven't been able to put it together the way I would like to. But presume you could get a community to assess as you would like them to assess, such as you suggest on a county-wide basis, would you then favor local assessment or do you insist that it should be on a county-wide basis, period?

MR. SOMERS: I do not see how, under the present system or the promulgation of any rules or manuals or tables which are going to lay down what assessors should do, it is going to be successful unless we can obtain the assessors who are qualified and adequately paid and staffed to do the job.

ASSEMBLYMAN MUSTO: Well, in my community of Union City we have qualified assessors and we have no trouble at all. I presume that should be the case in most communities in the State. If not, we should correct it.

MR. SOMERS: I didn't hear the last part.

ASSEMBLYMAN MUSTO: I would presume if there are

incompetent assessors in a community, that should be the problem of the community.

MR. SOMERS: It probably is their problem, Assemblyman, but that does not correct the situation that I know of. As of two days ago I received a call from a community that has a Board of Assessors - now, this is what we run up against - one assessor asked me if it were legal for him to make the 1958 assessments, the books are already in, and when I asked why he said that he hadn't had two other members of the Board since last January and can't get anyone.

ASSEMBLYMAN MUSTO: If you had that problem on a county basis, what would you do? call for State equalization then?

MR. SOMERS: If we had that problem on a county basis?

ASSEMBLYMAN MUSTO: I am trying to find out what you really want, not how difficult it is to get; in other words, just what you want.

MR. SOMERS: What I personally would like to see would be assessment at a county level.

ASSEMBLYMAN MUSTO: At a county level.

MR. SOMERS: Yes, sir.

ASSEMBLYMAN MUSTO: In other words, you would want the county to rule in that instance.

MR. SOMERS: Yes, sir.

ASSEMBLYMAN MUSTO: I see. In other words, you are only against A-350 presuming it didn't result in 100% taxation, because it is on a home rule basis as far as the assessment is concerned and not on a county basis.

MR. SOMERS: That, and for the reason that it sets out certain procedures of assessing which I do not think all

assessors are familiar with.

ASSEMBLYMAN MUSTO: That could happen on a county basis too, as well.

MR. SOMERS: Oh, absolutely it could, yes, sir.

ASSEMBLYMAN MUSTO: Then again I repeat, your objection to A-350 is because of the local home rule assessment feature.

MR. SOMERS: Plus the fact that I believe it would force assessment at 100%.

ASSEMBLYMAN MUSTO: Well, presuming that it doesn't result in 100% - presume that for the sake of argument - then your only objection would be the local home rule assessment feature.

MR. SOMERS: That, and the fact that certain considerations here, as to how an assessor should assess a property are technical in nature and I do not believe all assessors would be able to follow them.

ASSEMBLYMAN MUSTO: It can't be so technical if you feel it results in 100%.

MR. SOMERS: I beg your pardon?

ASSEMBLYMAN MUSTO: It results in 100%, as far as you are concerned. Is that correct?

MR. SOMERS: At any percent.

ASSEMBLYMAN MUSTO: Well the point I would like to clear the air on, being a sponsor of A-350 - assume that this does not result in 100% assessment, assume that, assume our experts are correct, just as I am assuming on a county level, for example, you say 21 ratios would be all right but 567 wouldn't be.

MR. SOMERS: What percentage would it be, at?

ASSEMBLYMAN MUSTO: It would be confined within a ratio of the community. Local assessors would do that, the same as on a county level. The only difference between your thought and mine, as far as I can see, is you favor a county ratio instead of local home rule ratio.

MR. SOMERS: Wouldn't that give us just what we have now, Assemblyman?

ASSEMBLYMAN MUSTO: Yes. That's what we want. There is no question about that.

MR. SOMERS: I see.

THE CHAIRMAN: Any other questions? Senator McCay.

SENATOR McCAY: Mr. Somers, I gather that you favor 21 ratios in the State. Am I correct in that?

MR. SOMERS: For the purposes of local taxation, yes, sir.

SENATOR McCAY: I am very much inclined to that opinion myself and I am terrifically interested in the next question that I am going to ask. In one of the court decisions, I think it was the Switz Case itself, the court pointed out the difference between equalization of aggregates and the equalization of individual assessments. It went on to point out that equality in the division of the burden of county taxation was now being attained by the equalization method at the county level, reconciling the thing with respect to the ratio of each municipality so that each municipality was now bearing, it said, the proper share of the burden of county taxation. But my question is this: Do you think it would be possible ever to equally distribute the burden of county taxation among the individual taxpayers if you had, say in my county, 40 different ratios in the county?

away with murder for years, now you're paying your fair share." Only the hearing is going to determine whether or not the professional made the correct evaluation. But, Senator, where you have that drastic change from one thing to another, - we have classification assessments, not only classification assessments but ratios running the gamut within that assessment and now to adopt a standardization, some people, some industries, and lots of things must feel the shock of it, Senator.

SENATOR CRANE: Well, to cut this short, the thing I wanted to draw from you, sir, was did you feel that over the years we should gradually try to find some pattern of equalization? or should we forever and irrevocably adhere simply to 21 different county standards?

MR. SOMERS: I believe it should be a matter of home rule within the county and that the county should seek some standard of assessment within the county.

SENATOR CRANE: Without relation to any other part of the State.

MR. SOMERS: Yes, sir.

THE CHAIRMAN: Any further questions?

SENATOR McCAY: I would like to clarify one thing.

THE CHAIRMAN: Senator McCay.

SENATOR McCAY: As I see it, the question of ratio, whether it be 40% or whether you allow each municipality to fix its own ratio, or whether you have each county establishing a county-wide ratio, all that has nothing to do with standard of values. If you fix a ratio of 40% of true value, true value is your standard. Do you agree with that?

MR. SOMERS: Yes, sir.

SENATOR McCAY: Thank you.

MR. SOMERS: Now then, it is up to the local assessor to get in there and apply fairly that standard to your property for its value in relationship to all other property and that's where we have been having such difficulty.

SENATOR McCAY: I think Senator Crane just emphasized the thinking of the majority of the Senate and perhaps the Legislature, I think the majority of the Legislature, that we must do something about inequality. Really the keynote of the Switz Case is not 100% true value but equalization of the burden of taxation. It throws out a challenge and, as a matter of fact, commands that we must do something to equalize assessments, whatever the standard be.

THE CHAIRMAN: Senator Crane.

SENATOR CRANE: I just want to make one statement for clarification too. I was speaking for myself. When I speak for others I do it editorially.

THE CHAIRMAN: Any questions from the audience?

ANTHONY M. ORECCHIO: Yes, sir.

THE CHAIRMAN: Will you come up to the microphone and state your name and ask your question.

MR. ORECCHIO: Senator, my name is Anthony M. Orecchio, Tax Collector of the Borough of Fairview, Bergen County.

I have a question, sir, for the gentleman from Atlantic County. As a point of information, I have been asked to attend these hearings by the town fathers and get as much information as I can. I was wondering if he has some figures available which would show the aggregate ratio for the various classifications within his county, instead of on an over-all basis.

MR. SOMERS: Senator, and you, sir, as I said, I did not come up here with a prepared statement, I preferred to talk off-the-cuff just from knowledge of what does happen in our own office. I do have figures, sir, coming out of my ears but not up here with me. I have figures in my office which I will be very, very happy to show you or any member of your particular county at any time.

THE CHAIRMAN: Will you show him those figures then, or send him a copy of them so that he has the figures that he has asked you about?

MR. SOMERS: Well, they are pretty involved, Senator, and there are quite a few of them.

THE CHAIRMAN: Maybe it would be a good idea then if he went down to Atlantic City and looked them over.

MR. SOMERS: It would make a nice trip for him, Senator.

THE CHAIRMAN: All right, whatever you say.

MR. ORECCHIO: Senator, maybe he misinterpreted the question. What I meant was, for instance, what is the average ratio for farm, what is the average ratio for vacant land, residential and commercial, in your county?

MR. SOMERS: That, as far as I recall from general knowledge, - the average ratio for vacant land between the rural communities and the big one will run from 9 to 22%; for farm, 12% and that will go lower and higher; residential runs approximately between 15 and 26%; and the commercial could be as low as 15% and as high as 38%.

SENATOR DUMONT: Thank you. Any further questions of Mr. Sommers? Thank you very much, Mr. Somers.

THE CHAIRMAN: Before calling the next witness, I would like to note the presence of four Legislators in the order of their appearance here. Senator Robert C. Crane of Union County, who has come all the way from New Hampshire to attend this hearing and I think, therefore, he gets the long-distance prize unless someone else can claim it; Assemblyman Frank Meloni of Camden County; Senator Albert McCay of Burlington County; and Assemblyman Frank Werner of Camden County.

I might add that Senator Crane is a member of the Senate Committee on Revision and Amendment of Laws.

Next we will call Mr. John A. Borden, President of the Camden County Board of Taxation.

JOHN A. BORDEN: My name is John A. Borden. I am President of the Camden County Board of Taxation. I should like to offer some comment to the Committee with regard to the several bills which have been discussed this morning and which I have notes on here. I will endeavor, in view of the late hour, to be as brief as possible.

With regard to S-6 which is, I understand, a bill filed by the Chairman of this Committee, this bill, I understand, would change the standard of assessing from true value to approximately twelve, or a combination of twelve different standards to be used. It would appear that this bill would set up a variety of standards in possible violation of the Constitutional provision which states that property shall be assessed for taxation under general laws and uniform rules according to the same standard of value.

This particular bill, if I may take the liberty of reciting the provision to be considered, adds, in place of the full and fair value provision of Section 54:4-23 of the Revised Statues, that the assessor "shall take into consideration the selling value, the rental value, any unusual features as to size, location, or unique characteristics, the value to the owner, applicable planning and zoning regulations, if any, and, in the case of improved property, the cost thereof, the replacement cost less depreciation and obsolescence, and any special features such as the physical condition of the improvements, their utility and any unique characteristics, and, thereupon make such determination" - and these are four very important words, in my opinion - "<u>according to his judgment</u>, and all such determinations shall be made as of October 1, etc."

I would like to suggest to the Committee that, in my opinion and the opinion of the County Board, this would make determination of appeals extremely difficult, if not impossible, because of the variety of standards which would then be legal in place of the one standard which is "full and fair value" or "true value", whichever words are to be used.

I would also suggest that this might leave the door open for possible tax lightning because of the various factors to be considered, value to the owner as well as any other combination of values. And, as I said before, I think it would render decisions on appeals almost impossible on a county and a state level, for that reason.

The next comment I should like to make is with regard to S-211 which also is sponsored by Senator Dumont, which would set up standards of 40% assessment for real property, 40% for machinery and equipment, and 10% on average inventory.

I would like to state that I, and my Board, emphatically favor the passage of this legislation to set a statewide standard for real estate assessment as well as machinery, equipment, and inventory. However, I would like to say further that, in view of the fact that it sets a completely new standard, quick action would be necessary in enacting this legislation because there are at present 10 communities out of 37 in Camden County which are undergoing and have undergone revaluation and will be filing complete new sets of assessments for 1959. It will be, therefore, very important for them to be able to remove from their assessment roles --

ASSEMBLYMAN HYLAND: Will you speak a little louder, please, so that the audience might hear you.

MR. BORDEN: I say that it would be very important for the Legislature to take quick action on these bills if, as the bills intend, they are to take effect during the tax year of 1959, for the reason that they eliminate the household assessment on personal property; also it sets a completely new set of standards for assessing and it involves a great deal of mechanical book work in setting up tax assessment books for the year 1959.

I would also suggest, too, that in view of the statutes at present, which require 100% assessments, it would be important to enable municipalities to set a lower standard than 100% in order to avoid wildly fluctuating tax rates. As you gentlemen know, a district, for instance, that has a 20% ratio at the present time might have a tax rate of $10.00; if they go to 100% of value, the tax rate would then drop to $2.00; and then if, in the subsequent year, the Legislature adopts 40% or 50% as a ratio, it would then mean that the tax rate would jump up from two to possibly three or maybe five dollars, depending upon the circumstances.

I think you gentlemen understand that this could create wildly fluctuating tax situations within municipalities.

In that connection I might add that the County Board is presently advising communities that are revaluing to take a ratio close to their present ratio in order to avoid such dislocation.

There is another bill proposed by Assemblymen Wegner and Stepacoff, which is A-323, which proposes that the State Division of Tax Appeals make decisions on the basis of a one-man decision rather than the entire Division, as at the present time. The only criticism that I can offer to this

bill - I understand it would help materially in rendering decisions and the time involved, but it would remove any qualifications in the present statute for taxation on real estate and would require no minimum number of years for an attorney in order to become eligible for appointment. At the present time I understand 10 years is required.

With regard to S-241, by Senator Farley, which covers equalization, setting up a county equalizer, - I think, on the whole, that County Board Secretaries will probably approve this because it will remove a great deal of the work involved in processing SR-1A forms, as well as supervision of field personnel. However, as I read the bill, it appears that this bill would only set up an equalization table for county purposes and would not apply to state school aid moneys. There, therefore, is raised the implication that you would then have two county tables, one for county purposes and one for state school aid, because the present table utilizes a sales ratio study which is used both for state school aid and county tax purposes.

I would like to suggest, in closing, - and now I am speaking as a realtor - I would suggest that the State consider some additional form of taxation to form the basis for greatly expanded state school aid to school districts. School taxes, which when added to local and county taxes, as well as regional school districts, have increased the tax burden to more than 3% of the value of real estate in some districts in Camden County. The so-called war babies now growing up and going through the early grades will soon be overloading our junior and senior high schools, requiring vast expenditures for new schools, the cost of which will again be added on the already staggering burden of the real estate property owner.

I suggest that you gentlemen recommend to the Legislature the enactment of some form of taxation to supply these needs from sources other than owners of real property who are now paying more than 90% of all taxes for local purposes and almost two-thirds of all taxes paid in New Jersey.

I would like to thank you gentlemen for your kind attention and apologize for holding you to this late hour.

THE CHAIRMAN: Any questions of Mr. Borden? Senator Crane.

SENATOR CRANE: I just have one, Mr. Borden, which is almost identical with the questions I asked the previous speaker. You made a comment that the Board Secretaries would seem to approve SCR 24 and S-241. To me, this would seem to permit about 547 different standards of local assessment, 21 different standards of county assessment, and one or more different standards at the State level. Now, do you honestly feel that favoring such legislation is a forwardlooking approach?

MR. BORDEN: As I mentioned, sir, I did not state that I was in favor of the legislation. I stated that I felt that County Board Secretaries who, at present, for instance, - in Camden the County Board Secretary has supervision of four field personnel who actually do the checking on these sales for the sales ratio study.

SENATOR CRANE: Well, sir, it was very difficult to follow you due to the acoustics. How do you personally feel about these differing standards throughout the State? Would you prefer to have State standards or local standards?

MR. BORDEN: I think, in order to avoid complete confusion, that the State should set the standards and require

the counties to adhere to those standards.

SENATOR CRANE: So your problem, then, is - what is the standard level? forty, fifty, seventy or a hundred? Is that it?

MR. BORDEN: It should be uniform and should be uniformly applied.

SENATOR CRANE: And equally applied throughout the State.

MR. BORDEN: Throughout the counties and State, and the districts within the counties.

THE CHAIRMAN: Assemblyman Werner.

ASSEMBLYMAN WERNER: Mr. Borden, perhaps I didn't understand you properly but in the last portion of your discourse did you say something about war babies coming along and creating this new assessment, this new tax. Are you suggesting there some other form of tax? I didn't hear that part of your statement very well.

MR. BORDEN: I suggested that the Legislature should consider some other sources of taxation, other than the real estate property tax which at present locally is paying 90% of the burden and approximately two-thirds of the over-all cost of government in the State. I am suggesting that when the children who are now in the middle grades reach the junior high school and high school level that the schools at that grade level will then be overcrowded the same as the lower grades are at the present time. That will call for more taxation in addition to the already heavy taxation, and I am suggesting that the State consider some method -- now this is a suggestion as a realtor, sir, that the State consider some other form of revenue to provide greatly increased school aid from the State level to the school districts in order to avoid the terrific expenditures involved from falling on the

local property owner who already has to pay excessively high taxes.

MR. WERNER: Thank you.

THE CHAIRMAN: Any other questions.

SENATOR McCAY: I have a question. I find there is a great deal of misunderstanding, Mr. Borden, with respect to this matter of standards of value. The fact is that people who are talking about 20% of true, 40% of true, 80% of true value, are all talking about the same standard of value, namely, true value. Justice Weintraub, now Chief Justice, and Justice Heher, in their opinions in the Switz Case, said that assessment at a ratio of true value would have been a compliance with the old Constitution which required assessment according to true value, and that an assessment at a ratio or percentage of true value was only condemned by the statute and not the old Constitution. The new Constitution isn't radically different. It authorizes the Legislature to set up the standard of value, instead of fixing the standard itself.

Now, disregarding all this talk about 20% being the standard of value, or 40% being the standard of value, I am wondering what your ideas are of a standard of value. As I see it, the standard of value in all these bills is true value, unless it be Assembly 350, where you actually have criteria set up for determining value. I personally think that is 100% true value, myself, but I am a little at a loss to follow you as to what your ideas are of a standard of value. Will you please amplify that for us?

MR. BORDEN: I would suggest, sir, that as a standard of value, the value be determined on the basis of the market value of the property, or its fair value, whichever

terminology is used.

SENATOR McCAY: The sale value. In other words, you think the standard should be based on the sale value?

MR. BORDEN: Yes, sir, the sale price to a willing buyer and a willing seller.

THE CHAIRMAN: Assemblyman Musto.

ASSEMBLYMAN MUSTO: Mr. Borden, you have had a great deal of experience in this field and I take it this would be on the local, I presume, as well as the county level. I would like to ask you a question that I have asked many members of the Legislature, and I think I might benefit from your answer. I am one of the sponsors of Assembly Bill 350. What is so wrong with a local community in the confines of its own boundaries making the revenue that is needed to run its own government? What is so wrong with that? As you know, we have a county equalization table today, we have a state aid school formula, now, just what is so wrong with this whole new principle of raising the revenue that a community needs to carry on and run the functions of its own government? What's so wrong with that?

MR. BORDEN: I see nothing wrong with the present system except for the fact that it has fallen into disuse through lack of compliance with the present statute calling for the true value standard.

ASSEMBLYMAN MUSTO: Well, assume we can correct that, if you believe it should be corrected, - after all, legislation can correct that and I feel that A-350 is somewhat an answer to that. If it isn't, it's the principle that I am concerned with that the people believe in. If they believe in that principle then it's a matter of putting together the proper

legislation to accomplish the objective. You have been President of the County Tax Board, you've had experience with local assessors, you realize the function of the county equalization table, the state aid to schools formula, and the principle of home rule; you know there are some communities that have a lot of wealth, some communities have no wealth whatsoever, some communities must draw from the retail business, some must draw from industry, I feel, myself, and that's why I ask this question, that it is almost impossible for a community to be guided by the county or the State as far as running the functions of its government is concerned, if they are going to tell them how to raise the revenue. That's why I asked you, because I figured you were experienced in that field.

MR. BORDEN: Sir, that's a very involved question but I will endeavor to answer it in this fashion. I would suggest that the same standard be applied to all property, that is, whether it's 40% or 50% of value, and that there should be allowed no variation between districts because, primarily, the basis of value is for a property owner, a typical property owner to be able to determine whether or not his assessment is a fair assessment. For instance, in Camden County we have ratio of assessment to true value ranging from about 15% to 60%. That is information that is in our office, that is in the office of the Assessors and the municipal people, but the average taxpayer has no knowledge whatsoever of the basis for assessment and, therefore, he does not know that he can do anything about it. That's why I suggest that if the same standard is applied to each district then every taxpayer will know what his assessment should be.

ASSEMBLYMAN MUSTO: Aren't you favoring, in effect,

something that I think should receive quite a study in this State anyway, and that is consolidation. Aren't you favoring consolidation of municipalities under one head or make them larger? Isn't that, in effect, what you are favoring? When you want to set a standard in Hudson County, for example, you want all the communities in Hudson County, be it Union City, Hoboken, North Bergen, or what-not, - aren't you, in effect, saying you want Hudson County to be one big city? Isn't that what you are leading up to? Maybe that's the solution. The point I make, when we arrive at a method of assessment, and you say the counties can assess it or the State should assess it, aren't you, in effect, taking away the last vestige of home rule?

MR. BORDEN: No, sir. I did not give any opinion, as I recall it, with regard to whether or not it should be assessed on a local or on a countywide basis. I voiced the opinion that whether it is done on a county or on a local basis the same standards should be used, the same percentage of value should be used, regardless of what district it is in. As a practical matter, I would say that a system of county assessing would probably be far more efficient than the present system of assessing because, unfortunately, a lot of municipalities do not want to pay an assessor anymore than two or three hundred dollars a year for the work involved.

ASSEMBLYMAN MUSTO: To accomplish that standard you talk about, would you, in effect, have to substitute something for the judgment of the assessor himself? Isn't the judgment of the assessor in the long run going to be the deciding factor? Mustn't that be the standard?

MR. BORDEN: Sir, are you referring to S-6?

ASSEMBLYMAN MUSTO: There's only one bill I am speaking for and that's Assembly 350.

MR. BORDEN: Oh, well, I understand that is approximately the same as S-6 with some minor variations.

ASSEMBLYMAN MUSTO: In principle, it's similar, but it's not the same.

MR. BORDEN: Yes. The only point I would state, sir, in that connection is that it sets too many standards to be used in arriving at value of real property. Frankly, as an appraiser myself, there are three basic standards that appraisers use in valuing property. This, as I read it, has approximately 12 that can be considered, so that if you give more weight to one than to another you can arrive at almost any valuation that you want to ascribe to a property.

ASSEMBLYMAN MUSTO: I didn't get all of that but I believe you referred to the standards that are set there.

MR. BORDEN: As an appraiser --

ASSEMBLYMAN MUSTO: That can be corrected. Those things can be corrected. That's minor. It's the principle that I am interested in of home rule assessment and hearing arguments against that, and what's bad about it.

MR. BORDEN: I think home rule assessment, if properly carried out --

ASSEMBLYMAN MUSTO: As it is today in the County of Camden, in the City of Camden.

MR. BORDEN: Well, sir, there are different standards of quality and of assessing practices throughout the county. There is no question about that. The only point I make is that, if they applied the same standards and use the same ratio to

that standard, there will be no difficulties involved. But, as an appraiser, considering the various different factors involved in Senate Bill 6, it would allow an assessor a considerable amount of leeway in arriving at an assessment on any particular piece of property. That is, he could put more weight to one than to another and as a consequence could arrive at almost any value within 25% either way.

Understand, sir, as an appraiser we use basically three different standards of value, replacement cost less depreciation, market value, and capitalization of income. Now, that's only three. But in this particular bill there are approximately 12 that the assessor should consider in arriving at his value and I say that it would cause too much confusion to determine which one should be given the more weight than another.

THE CHAIRMAN: Senator McCay.

SENATOR McCAY: Mr. Borden, Assembly Bill 350 provides for the exercise of the sound discretion of the assessor in making his assessment and prescribes certain criteria for his guidance or standard to be followed in excercising that discretion. Would you say from your vast experience on the Board and otherwise, that the criteria set forth in A-350 are substantially the criteria followed by a expert witness in a tax appeal?

MR. BORDEN: I would say that is true with few exceptions. Generally speaking, items such as value to the owner --

SENATOR McCAY: That has been removed, the sponsor points out, by amendment of the bill.

MR. BORDEN: Are there any other portions of it that

have been removed, sir?

SENATOR McCAY: No. That's the only amendment.

MR. BORDEN: I still say, sir, I think it is very much--

SENATOR McCAY: Will you speak louder, please?

MR. BORDEN: I still say, it is a great deal easier for appraisers and people testifying on value of property to be able to testify on what the fair market value of the property is. Now, an appraiser will automatically consider a number of these things but, in my opinion, and I am not an attorney, -- but, if an assessor would be allowed to hang his hat on any one of these factors he could arrive at almost any valuation he wanted to consider in connection with that parcel.

SENATOR McCAY: Some people seem to want to draw a distinction between what we shall impose upon the assessor as a standard or guide or criteria, and the things that an expert would testify to in a tax appeal. Do you see any great distinction between the function performed by the assessor in making the initial assessment and the function performed by, say, the County Board or the State Board on the testimony of expert witnesses in passing upon the validity, the propriety of that initial assessment?

MR. BORDEN: There should be no difference, sir.

SENATOR McCAY: Thank you.

THE CHAIRMAN: Any further questions? Does anyone in the audience have a question of Mr. Borden?

I have just one, Mr. Borden. You mentioned that you would like to see the Legislature look for or provide a new source of revenue other than property tax. Do you have any suggestions along that line?

MR. BORDEN: I'm afraid that's the $64,000 question and I think you knew that also, sir. But the only thing that I wanted to emphasize is that any additional taxation should be from sources other than from owners of real property who are now paying such a very heavy burden; that any relief that's granted should be granted to them because they are carrying such a heavy portion of the load at the present time.

SENATOR DUMONT: Well, do you have in mind - and I am not trying to pin you down exactly here, but do you have in mind a broad based tax - and I must say that usually under consideration as a broad based tax are either consumers sales tax, a personal income tax or a business income tax -- do you have any of those in mind? All of them or any particular one?

MR. BORDEN: I would just say that it should be a broad based tax. As you probably have heard someone stated, and it has been told over and over again, that if you don't smoke cigarettes, drive a car, or go to the racetrack, or own real estate, or die in New Jersey, you don't pay any cost of government. That essentially is true.

SENATOR DUMONT: And what you are interested in is having those people -- well, everybody does one of them that you mentioned, namely, pay an inheritance tax at some point, but what you have in mind is that the people who are not presently paying the excise taxes that are assessed by the State of New Jersey start to pay their fair share of the tax burden. Is that correct?

MR. BORDEN: Basically, sir, that's correct.

THE CHAIRMAN: Thank you very much.

MR. BORDEN: Thank you, sir.

THE CHAIRMAN: Any other questions?

We have one more witness who is very anxious to get on before lunch, I understand, who has to leave shortly. Mr. Frederick J. Scholz, Chairman of the Legislative Committee, Camden County Chamber of Commerce.

FREDERICK J. SCHOLZ: Chairman Dumont, members of the Senate Committee, Mr. Speaker and visiting Assemblymen: I am Frederick J. Scholz, Chairman of the Legislative Committee of the Camden County Chamber of Commerce, Camden, New Jersey.

Before submitting the recommendations of my Committee, I wish to thank Senator Dumont and other members of this Committee for this opportunity to appear before them to submit the opinions of a representative group of business men with respect to the proposals regarding property assessments.

The Camden County Chamber of Commerce wishes to express its thanks to the Committee for the time it is devoting in public hearings on these proposals. The Chamber recognizes that these hearings are held at great personal sacrifice to the Committee members.

The Legislative Committee of the Camden County Chamber of Commerce has reviewed the various proposals that have been put forth with respect to the problem of equitable property assessment and taxation in the State of New Jersey. The Committee shares, with other interested parties, the opinion that the present methods of assessing properties, both real and personal, are inequitable. The Committee is concerned with the impact that the Middletown decision will have on taxpayers of all classes, should the directive of the Supreme Court be put into effect, as scheduled.

It is the conclusion of the Legislative Committee that proper determination has not been made of the effect that Senate Bill #211 might have with respect to the adjustment in taxes paid by holders of real property and/or personal property.

It is our opinion that until the revaluations of real and personal property that are now in the process of being made throughout municipalities in the State are completed, the effective date of the Supreme Court Mandate should be deferred in order that a sound base for the new tax structure might be determined. We, therefore, wish to go on record as supporting Senate Joint Resolution #15, sponsored by Senator Dumont of Warren County, Senator Cowgill of Camden County, Senator Crane of Union County, Senator Hannold of Gloucester County, and Senator Waddington of Salem County.

THE CHAIRMAN: Any questions of Mr. Scholz? Does anyone in the audience have a question?

Thank you very much, sir.

We will recess now until approximately 2 o'clock, about an hour for lunch, and if there is anyone who desires to testify this afternoon we would appreciate it if you would please sign your name on the list, if you have not already done so. We have some others to be heard this afternoon.

(Recess for lunch)

AFTERNOON SESSION

THE CHAIRMAN: We will resume the hearing. The first witness this afternoon is Mr. Patrick F. Courtney, representing the Camden County Mayors' Association. Is Mr. Courtney still here?

I believe Mr. Courtney has left.

Next, Mr. Marriott G. Haines of Burlington County.

MARRIOTT G. HAINES: Mr. Chairman, my name is Marriott Haines. I am Assessor of Hainesport Township and President of the Association of Assessors for Burlington County, comprised of 40 municipalities, which is the largest county in the State, geographically speaking.

I am not going to take the time to burden you with a rehash of many of the points of the legislation that you have heard up to now but rather would confine my remarks to the plight of the small municipality, the small municipal assessor, what we have to contend with, and I will make a couple of suggestions for your consideration.

I happen to represent one of the municipalities of this State which, up to now, has not considered a revaluation program, for the principle reason that we cannot afford it. The reason we cannot afford it is due to the fact that we have been caught in the throes of a vastly increasing population. During the last decade our population has more than doubled. As a result, we have been required to get permission from the Department of Local Government to exceed our borrowing capacity on at least three occasions, to construct additional school facilities, and this, coupled with other increases in cost of municipal services, makes it utterly impossible for us to go to our property owners and

ask them to finance the cost of a revaluation program at this time.

I have looked through most of the bills that you are presently considering in connection with this hearing and fail to find anything that I think amply considers the plight of the small municipal assessor, the manner in which he is selected for that job, or doing anything about improving the standards that he should meet as a municipal assessor.

As you know, the assessors in this state are either appointed or elected. During my tenure with the Local Property Tax Bureau, in 1953, at which time I worked with assessors from one end of this State to the other, we found that many of our part-time assessors, particularly, were ill-equipped, underpaid, and for the most part were holding an office that they had been induced to assume purely from the standpoint of their pride in their local community. Many of them were misinformed as to the volume of work and had no idea as to the task that confronted them and the growing importance of that task, particularly in view of the many recent court decisions that have been handed down that have affected this vital part of our municipal government.

Now, I mentioned that many of our assessors are elected or appointed, and, as you know, at present have no tenure of office, and for that reason they must be either subject to political influence one way or another to get the office in the first place. There are a few exceptions to this situation, however, in some of our northern municipalities, in that they have appointed to this position of assessor men who have Civil Service protection under some other classification within a given municipality. And I think, if you will make a study, you will

Now for an example of an assessor in an appointed municipality. This particular assessor, upon hearing of in-service training courses that are given by Rutgers University with the assistance of State and county agencies, attended these courses and found after applying the knowledge obtained there to his local condition that the newer property owners were carrying the burden of the taxes in his municipality rather than the owners of the properties that had been established there for a number of years. He attempted to rectify this condition and as a result, upon reporting to office one morning, found out that his oath of office had mysteriously disappeared, that he had not actually been appointed assessor, and therefore was no longer the assessor in that municipality.

I will give you one more illustration of another municipality where they had an elected assessor. In this particular instance, the assessor was the municipality, he ran the governing body, the tax collector office, and practically everything in and about it, and the assessments were subject to his particular political whims and it just so happens that he wields such a strong influence there that even those on the county level, and I am referring to the County Board of Taxation in that particular county, do not interfere with his operations.

Now, with these three illustrations before you, I would like to impress upon the Committee conducting this hearing that I think the time has come when we should consider some other means of selecting the assessors in this State. And I would like to offer for your consideration the plan now in use in the State of Kentucky whereby they do elect their assessors but they must be prequalified before they can run for the office and they are

elected for a much longer term than our present four years.

I offer that for your consideration.

Now, some comment has been made about eliminating the personal property assessment on household goods. There are many assessors in this State who do approach this particular part of the job conscientiously and who do endeavor to pick up all of the household assessments, both tenant's and property owner's, and if you will check the income you will note that in those instances these personal property assessments on household goods do make up a fair share of income on the local basis. The reason for that is that these assessors feel that for every hundred dollars of personal property assessment that we do pick up, there is a hundred dollars less that has to be borne by the property owner. Now, if the ultimate result of these hearings is legislation that will eliminate this particular source of income for the municipalities who do derive a considerable amount from this source, I trust that you will give consideration to some alternate source of income because there are many of us who feel, particularly from the standpoint of the tenants, that they should, in one way or another, assume some part of the local cost of government, thereby helping to contribute to the services that they enjoy as a resident of a given municipality.

Now, I am fully cognizant of the fact that many people say they do pay their fair share through the rent that they pay the landlord but I feel, from a psychological standpoint, that it should be something more direct. What the answer will be, you will have to determine.

Certainly I would urge that you give some consideration to the recommendation that was made by Mr. Russel Wilson when

he spoke in Trenton on June 30th regarding the tenant's tax or something along that line.

If you would like, I will just speak briefly about my views on some of the bills that you are considering.

Regarding A-350, I question the wisdom of excluding the full value phrase out of the existing legislation, because, like the speaker said this morning, I am inclined to think that perhaps when appeals come before the County Boards of Taxation, with that terminology eliminated from our existing law, it might present some serious problems for the county boards to contend with.

The same thing applies to S-6.

Regarding S-241, I think if the county boards of taxation were equipped or staffed to carry out their duties, as intended by the present law, you would accomplish the same end that is intended under S-241 without burdening the county boards of freeholders with such additional sum of money as has been suggested here this morning to carry out this phase of the work.

I am in favor of SCR-24 because I feel that certainly those municipalities who have now in progress or who are contemplating entering into revaluation projects should have at least another year to get that phase of their work under way.

I fully appreciate the momentous problem that is confronting your Committee and say that you have my heartfelt consideration in your approach to this so serious problem because what is done legislativewise is certainly going to determine how much deeper the assessor puts his hand in the property owner's pocket. And, certainly, we as property owners are vitally concerned with that.

Thank you very much.

THE CHAIRMAN: Any questions of Mr. Haines?

Mr. Haines, you mentioned trying to find another source of revenue, that is, other than the property tax. Do you have any recommendations to make along that line?

MR. HAINES: Well, I was in favor of the statewide sales tax when it was started back during Governor Hoffman's administration and I think it bears consideration today.

THE CHAIRMAN: You would favor that. Of the three broad based taxes, that would be your choice.

MR. HAINES: Yes, sir.

THE CHAIRMAN: Did you make any comment about Senate 211, the 40-40-10 bill? If you did, I didn't hear it.

MR. HAINES: No, I didn't, Senator.

THE CHAIRMAN: Could we have the benefit of your comments about that bill, please.

MR. HAINES: Well, so far as 211 is concerned, I haven't had an opportunity to go through it in its entirety and I prefer not to make any direct comment at this time.

THE CHAIRMAN: All right.

Any further questions? Senator McCay.

SENATOR McCAY: If we retain true value as a standard, or provide for some ratio of true value, would you favor a statute which would write into the legislation criteria for the guidance of the assessor?

MR. HAINES: Under the existing laws, and our method of selecting assessors, I doubt very much if you would be able to get qualified men to carry out such provisions if it were written into the law. I don't think I gave you a direct answer to your question.

SENATOR McCAY: I think that answers the question. You doubt the wisdom of it because you would have to have professional assessors, really, to follow such criteria. I gather that is in sum and substance your answer.

ASSEMBLYMAN WERNER: Mr. Haines, did I understand, when you were giving the different examples concerning the qualifications of different assessors, that you would be in favor of legislation whereby assessors were qualified and, if elected, elected for a longer term to insure their being in office so that they wouldn't be politically dominated, plus tenure of office? Did I understand you properly?

MR. HAINES: Yes. I believe that if we had a program of qualifying our candidates for the office of Assessor and that if they are then elected they should be elected for a longer term than at present, namely, four years. Certainly, if you get a qualified man and he is elected, he should have a term longer than four years in order to do the job.

ASSEMBLYMAN WERNER: Did I also understand you, Mr. Haines, to say that Kentucky has such a program?

MR. HAINES: I believe Kentucky has, yes, sir; and I am not sure about Maryland but I do know there is at least one other state in the Union that does have such a program.

ASSEMBLYMAN WERNER: Thank you, Mr. Haines.

THE CHAIRMAN: Any further questions of Mr. Haines? Does anyone in the audience have a question for Mr. Haines? Thank you very much.

Is Mr. Ray Wood still here, of the South Jersey Development Council? Not present. All right.

The next witness is Mr. John A. Stover, Tax Supervisor of United States Steel Products.

JOHN A. STOVER: My name is John Stover, Tax Supervisor, United States Steel Products Division, United States Steel Corporation.

Mr. Chairman and Members of the Committee: I appreciate the opportunity to appear here today.

Very briefly, we have a steel shipping container manufacturing plant in Pensauken Township and have a very deep interest in the results of your investigations of revisions and amendments to the laws in New Jersey, particularly, in my own office, with respect to the tax effects of those laws.

I am here today, however, purely in the role of an observer, to further inform myself and my corporation of the intent of the proposed legislation. We believe that industry must avail itself of opportunities to become familiar with what is being proposed and, if requested, to offer any assistance that it may in furtherance --

THE CHAIRMAN: Excuse me, they can't hear you very well in the back.

MR. STOVER: Oh, I'm sorry.

It is our position that industry must avail itself of opportunities to appear or to attend hearings or other meetings which will allow itself to become more fully informed and assume its responsibility, as any other taxpayer, in keeping informed of the laws or any legislation with which it may be involved.

I wish to extend congratulations to the Committee for the tenor in which this meeting has been conducted. The Committee has certainly afforded full opportunity for the expression of views concerning the proposed legislation or any alternative proposals, and I wish to thank them for the time permitted me to speak before the Committee. Thank you.

THE CHAIRMAN: Any questions of Mr. Stover?

Do you have any comments that you want to make about the bills that are pending before our Committee or before the Legislature.

MR. STOVER: Senator Dumont, if the record may show that I am speaking my own opinion, rather than on behalf of the corporation, I have two comments that I would like to offer.

I do believe that it would be advisable for SJR-15 to be presented. I believe that a one year postponement would be beneficial from a practical standpoint. Inasmuch as the mandate of the Court, that is, the time allowed will soon expire, I think from a practical standpoint the local assessors would have a very burdensome and also probably a very inequitable job of assessing that they would have to do. I think they are not in a position to fully revalue, within the period of a few months, the property as it should be revalued.

With respect to any of the proposed bills, I have no comment at the present time. I do believe, however, that whatever standard of valuation is adopted, it should be applied uniformly without classification as to residential, commercial, industrial and the other various classes that have been mentioned.

I believe that concludes my remarks, sir.

THE CHAIRMAN: Then you favor uniformity without classification, is that right?

MR. STOVER: My personal preference is for uniformity without classification, yes, sir.

THE CHAIRMAN: Any questions? Senator McCay.