

ELEVENTH REPORT

*Railroad Taxation in New Jersey—  
The End of an Era*

*New Jersey Commission on  
State Tax Policy*

1965

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State Tax Policy*

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- SECOND REPORT, *I. Taxation of Tangible Personal Property. II. Corporation Business Tax Act (1945).* (Trenton, N. J.: March 24, 1947.)
- THIRD REPORT, *The Taxation of New Jersey Railroads.* (Trenton, N. J.: February 16, 1948.)
- \*FOURTH REPORT, *Financing a State Bonus for Veterans of World War II.* (Trenton, N. J.: August 27, 1948.)
- PUBLIC HEARING, DECEMBER 14, 1949, Assembly Chamber, State House, Trenton, New Jersey. (Trenton, N. J.: 1950.)
- FIFTH REPORT, *Taxation and Public Policy in New Jersey.* (Trenton, N. J.: April 14, 1950.)
- SIXTH REPORT, *The General Property Tax in New Jersey; A Century of Inequities.* (Trenton, N. J.: February 1, 1953.)
- SEVENTH REPORT, *Public School Financing in New Jersey.* (Trenton, N. J.: March 22, 1954.)
- EIGHTH REPORT, *Financing School Buildings in New Jersey.* (Trenton, N. J.: May, 1955.)
- NINTH REPORT, *The General Property Tax in 1958; Toward a Balanced Tax Structure.* (Trenton, N. J.: February, 1958.)
- TENTH REPORT, *Increased State Aid to Public Schools and Distribution of the Cost of Expanding Public Services.* (Trenton, N. J.: January 10, 1963.)
- ELEVENTH REPORT, *Railroad Taxation in New Jersey—The End of an Era.* (Including Interim Report on *The Railroad Tax Problem—Classes I and III Property Taxes*, May, 1964.) Trenton, N. J.: December 31, 1965.

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*State of New Jersey*

Eleventh Report of the  
Commission on State Tax Policy

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*Railroad Taxation in New Jersey—  
The End of an Era*



*Submitted to the Governor and the Legislature  
of the State of New Jersey*

*December, 1965*

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Trenton, New Jersey

1965

STATE OF NEW JERSEY  
COMMISSION ON STATE TAX POLICY  
(*Laws of 1945, Ch. 157, as amended*)

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WAYNE DUMONT, JR., *Chairman*  
Senator, Warren County  
Phillipsburg

JAMES KERNEY, JR., *Vice-Chairman\**  
Trenton

ALFRED N. BEADLESTON\*\*  
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Newark

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Princeton

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\* Resigned as of March 1, 1965.

\*\* Appointed December 13, 1965 to succeed Assemblyman Norman Tanzman.

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## ERRATUM

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The date line on Letter of Transmittal should be December 30, 1965, and not January 27, 1965.



## LETTER OF TRANSMITTAL

January 27, 1965.

*His Excellency Governor Richard J. Hughes and the  
Honorable Members of the Senate and General Assembly:*

The Commission on State Tax Policy is pleased to transmit herewith its Eleventh Report. This Report places the subject of railroad taxation in its proper perspective with reference to the economics of railroad passenger transportation on the one hand, and the various railroad aid programs of government on the other.

In accordance with the forecast of the Commission's Tenth Report, and the policy set forth in its Interim Report of May 1964, this Report proposes additional railroad tax relief. Because the Report of necessity comes at a time when various aid programs are under way, and even public ownership or operation of railroad commuter service is under consideration, any solution to the tax problem is peculiarly related to the various other measures of railroad needs. The Commission believes that its recommendations have been so cast that they may be conveniently considered and acted upon in a way which will be compatible with whatever other steps affecting the railroads may appear to be desirable.

In the preparation of this Report, the Commission was greatly assisted by the testimony of those who appeared at its public hearing and by the services of numerous state officials and employees. The Commission is pleased to acknowledge the cooperation and substantial technical aid provided by William Kingsley, Director, Division of Taxation; J. Henry Detmars, Supervisor, Public Utility Tax Bureau; Alan F. Hart, Supervisor, Local Property Tax Bureau; Herbert A. Thomas, Jr., Director, Division of Railroad Transportation, and key associates in their respective agencies.

The Commission especially appreciates the major contributions to this report which were made by its staff and particularly by Mr. Aaron K. Neeld, as consultant to its staff director.

Respectfully submitted,

COMMISSION ON STATE TAX POLICY \*

WAYNE DUMONT, *Chairman*

DAVID BECK

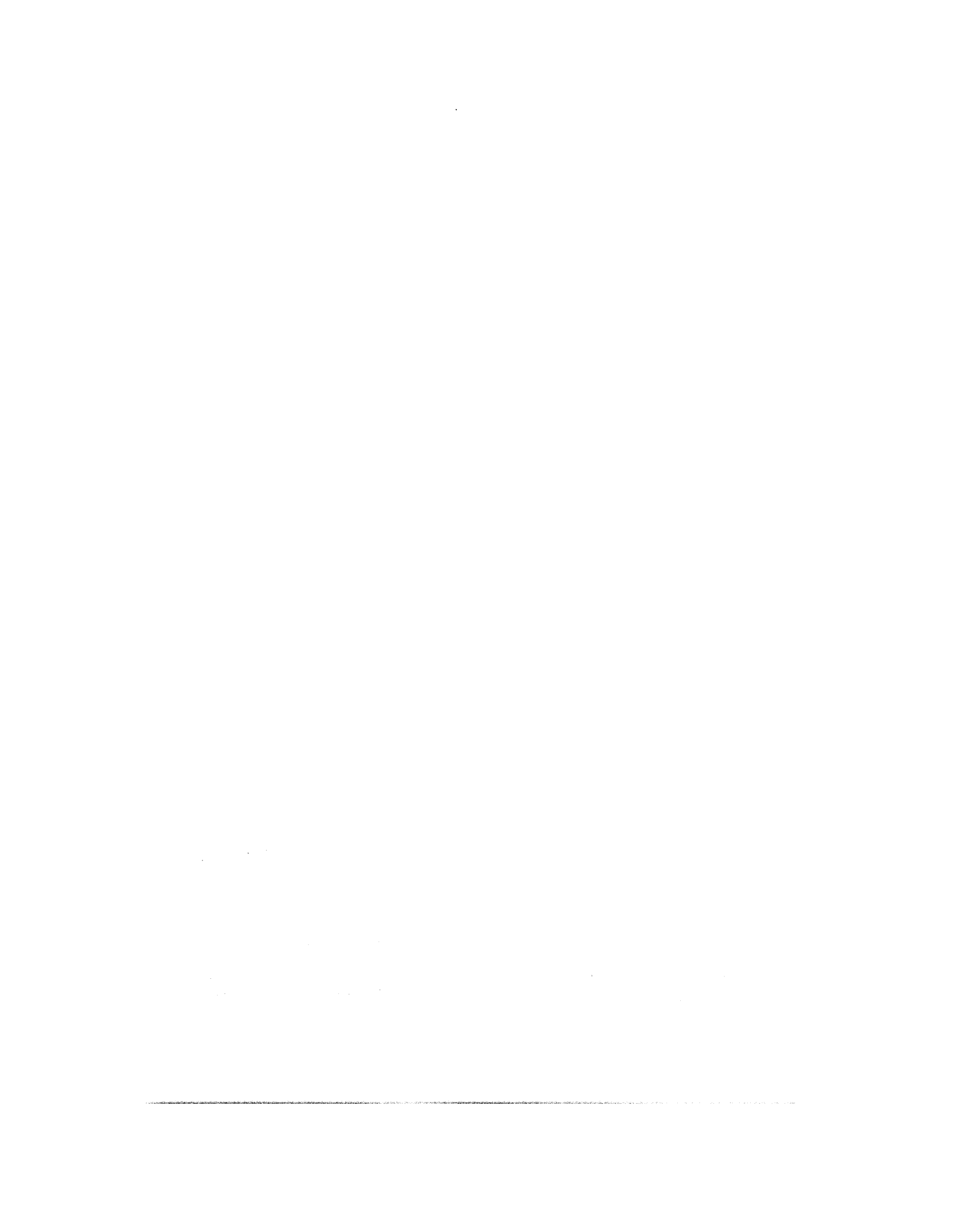
C. MALCOLM DAVIS

JOHN E. TOOLAN

THOMAS GLYNN WALKER

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\* Assemblyman Alfred N. Beadleston, appointed on December 13, 1965 to succeed Assemblyman Norman Tanzman, did not participate in the preparation of the Report or its recommendations.



## SUMMARY OF THE REPORT

On May 18, 1964, the Commission's Interim Report on the Railroad Tax Problem proposed an immediate reduction in railroad taxation in the amount of \$2.5 million annually by exempting Classes I and III railroad property. This recommendation was enacted.

The Commission has recognized in the past that all property taxes in New Jersey are comparatively heavier than those in other states—the *Tenth Report* having indicated that New Jersey had the highest per capita property tax in the nation—but the Commission concludes that the selection of railroads for property tax reduction at this time is justified on broad grounds of public policy. This policy is based upon two considerations: *First*, the public interest in maintaining mass rapid transit service as essential to the economy of the State; and *Second*, the public necessity of maintaining railroad passenger service because of the great public cost, if not impossibility, of providing equivalent highway transportation facilities in the event of the termination of commuter service. In summary—

1. Some property tax relief for the railroads operating in New Jersey, especially those providing substantial commuter services, is essential.
  - a. Exemption of Classes I and III property valuation pursuant to Chapter 251, Laws of 1964 (Senate 379, 1964—Dumont), effective January 1, 1966, will reduce the over-all railroad tax by approximately \$2.3 million annually.
  - b. It is recommended, in accord with the current state policy of commuter service subsidies, that all Class II property in passenger service (with an estimated full value of \$25 million) also be exempted immediately, to provide a further tax reduction to the railroads of \$2.0 million annually; and
  - c. That the remaining Class II railroad property, having an estimated full value of approximately \$190 million, be taxed at a flat rate of \$6.00 per \$100.00 of full valuation, to produce a total annual railroad property tax bill of \$11.4 million.
  - d. These three proposals (a, b and c above) will provide a total reduction in over-all railroad property taxes of \$4.5 million annually; will stabilize the total annual tax burden; and will provide a basis for further legislative tax reduction.
  - e. It is also recommended that as soon as adequate state tax replacement revenues are available, the flat rate of

\$6.00 may be lowered so as to reduce the railroad property tax burden to \$8 million annually (requiring a further reduction of up to \$3.4 million), depending upon the effect of other railroad aid programs toward solving the passenger transportation problem.

2. To achieve such tax reform, it is desirable at this time that the State take over the taxation of Class II railroad property. This will make possible the adjustment of the Class II tax level in the future as circumstances may require without adversely affecting individual municipalities.

3. Because of the heavy dependence of many municipalities upon annual Class II tax revenues, it is essential that the State provide grants-in-aid to save those municipalities harmless from the loss of these Class II taxes, subject to annual adjustments for property moving out of or into Class II railroad use.

4. In view of the recommended annual save-harmless payments to those municipalities which depend heavily upon Class II tax revenues, it is appropriate to reflect such payments, or the equivalent of such payments, in the measures used, for the apportionment of county and school taxes and for state school aid and debt limit purposes.

**RAILROAD TAXATION IN NEW JERSEY—  
THE END OF AN ERA**

**PART I**

***The Present System of Taxation***

It was in 1884 that the “modern” system of railroad taxation in New Jersey was established. While the Act of that year was subsequently revised and repealed by the Act of 1888, the basic principles of railroad taxation, that main stem and rolling stock (Classes I and III property) should be taxed for state use and that terminals, structures and land outside main stem (Class II property) should be taxed for local use, have remained unchanged for 80 years. In 1964, on recommendation of the Commission’s *Interim Report*,<sup>1</sup> the Legislature opened a new era of railroad tax history with repeal of the tax on Classes I and III property to take effect January 1, 1966.<sup>2</sup>

In order to evaluate the future of railroad taxation in New Jersey some reference to the past system and its current application is essential. Until December 31, 1965, railroads will be taxed in New Jersey under the Railroad Tax Act of 1941, as amended by the 1948 Act.<sup>3</sup> These statutes, stemming from the 1884 Act, provided for the taxation of railroad property according to three specific classes. These classes of property and the manner in which they were taxed are as follows:

Class I—Includes the “main stem”, or the roadbed of the railroad not exceeding 100 feet in width, and all structures and appurtenances, other than passenger or freight buildings, erected within the 100-foot width. This class of property was taxed for the use of the State at the rate of \$1.20 per \$100 of assessed valuation. (NJSA 54:29A-17 and 54:29A-20.)<sup>4</sup>

Class II—Includes all other real property used for railroad purposes including passenger and freight stations, roadbed outside of main stem, yards, track and waterfront property, etc. This class of property is taxed for local use at the general tax rate of the municipality in which it is located. In 1965, the average of these local rates was \$9.363 per \$100. (NJSA 54:29A-17 and 54:29A-19.)

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<sup>1</sup> The Railroad Tax Problem—1964. An Interim Report (Classes I and III Property Taxes), Trenton, May 18, 1964, reprinted in Appendix A.

<sup>2</sup> The Report recommended the change take effect as of January 1, 1965, but the statute, Chapter 251, Laws of 1964, deferred the effective date to January 1, 1966.

<sup>3</sup> Laws of 1948, Chapter 40, amending Laws of 1941, Chapter 291.

<sup>4</sup> After January 1, 1966 Classes I and III of railroad property will be fully exempt from taxation by Chapter 251, Laws of 1964.

Class III—Includes all tangible personal property of the railroad, particularly locomotives, freight cars, passenger cars, shop equipment, etc. This property was taxed for state use at the rate of \$1.20 per \$100 of assessed valuation. (NJSA 54:29A-17 and 54:29A-20.)<sup>5</sup>

In addition to these property taxes, each railroad is subject to a state franchise tax at the rate of ten percent of the net railway operating income of the railroad allocated to New Jersey in proportion to the number of track miles of all track over which the railroad operates within the state to the miles of all track over which it operates (NJSA 54:29A-13 and 14).

The present law also contains a ceiling on the total amount of franchise and property taxes payable annually by any railroad at not exceeding \$3,000 per mile of track in New Jersey for railroads having not more than \$1 million of total railway operating revenues in the state and \$4,500 per mile of track in New Jersey for all other railroads. These ceilings are applied so as to reduce the taxes payable in the following order:

First, the tax upon Class III property; then the tax upon Class I property; and lastly the franchise tax; but the ceilings are not permitted to reduce the tax payable to the municipalities on Class II property. (NJSA 54:29A-20.)

Under this system of taxation the railroads as a group were assessed a total of \$16.2 million in taxes on franchises and property used for railroad purposes in 1965. Property owned by railroads but not used for railroad purposes, such as warehouses, is taxed locally in the same manner as other privately owned property (NJSA 54:29A-4).

The total tax burden has been distributed among the aforementioned classes in these proportions:

**Table 1**  
**EFFECTIVE RAILROAD TAXES, 1950, 1955, 1960, 1965**

	1965	1960	1955	1950
Classes I and III . . . . .	\$2,303,156	\$2,527,338	\$2,988,221	\$2,959,768
Franchise . . . . .	267,207	318,230	1,164,247	1,042,246
Total for State Use . . . . .	2,570,363	2,845,568	4,152,468	4,002,014
	(15.89%)	(15.45%)	(22.64%)	(24.49%)
Class II (For Local Use) . . . . .	13,608,522	15,567,036	14,181,850	12,333,855
	(84.11%)	(84.55%)	(77.36%)	(75.51%)
Total . . . . .	\$16,178,885	\$18,412,604	\$18,334,318	\$16,335,869

The 1965 Class II taxes totaling \$13,608,522 are heavily concentrated in the municipalities of 6 counties (Hudson, Essex, Middlesex, Union, Mercer and Camden). The extent of this concentration is indicated by

<sup>5</sup> After January 1, 1966 Classes I and III of railroad property will be fully exempt from taxation by Chapter 251, Laws of 1964.

the fact that 10 of the 12 municipalities in Hudson County will share \$10,732,419 or 78.87% and 12 selected municipalities in these 6 counties will receive \$12,763,144 or 93.79% of the total tax. (See Tables 19 and 20, pages 36-37.)

Further evidence of the dependence of these 12 selected municipalities on Class II tax revenue for the support of local, school and county functions is contained in Table 2. It will be observed that in Weehawken Class II valuations comprise over 40% of total taxable valuations and consequently over 40% of the general tax revenue of the municipality in 1965 will come from the taxation of Class II railroad property at the general tax rate of the district. In fact in 5 of the 12 selected districts, including Weehawken, Class II valuations account for more than 10% of total taxable valuations.

**Table 2**  
**RATIO OF CLASS II VALUATIONS TO TOTAL VALUATIONS (NET VALUATION TAXABLE) OF 12 MUNICIPALITIES RECEIVING OVER 90% OF TOTAL CLASS II TAXES IN 1965**

<i>Municipality</i>	<i>Total Valuations (N. V. T.)</i>	<i>Class II Valuations</i>	<i>% of Total Valuations</i>
1. Weehawken .....	\$36,504,837	\$15,153,843	41.51
2. Jersey City .....	434,800,953	59,329,684	13.65
3. South Amboy .....	22,892,648	3,006,348	13.13
4. West New York .....	54,224,520	6,602,114	12.18
5. Hoboken .....	82,382,233	9,368,499	11.37
6. Kearny .....	91,505,634	2,725,683	2.98
7. Newark .....	1,391,738,415	22,870,615	1.64
8. Elizabeth .....	294,368,962	4,097,022	1.39
9. Camden .....	177,153,615	1,838,055	1.04
10. Bayonne .....	129,749,649	1,187,632	0.92
11. Trenton .....	172,844,417	1,331,404	0.77
12. Woodbridge .....	232,473,558	1,519,781	0.65

While 1965 railroad taxes totalling \$16,178,885.88 are assessed against 17 railroads operating within the state, actually 99% of the total tax is levied upon 8 Class I railroads and railroad systems; the other 9 unclassified railroads bearing only 1%. As shown by Table 3, the great bulk of the tax is assessed against 5 of the Class I roads. The taxes on Classes I and III property and franchises totalling \$2,570,363.48 are state collected and for state use. The Class II taxes, totalling \$13,608,522, although also state collected, are returned to the municipalities in which the Class II property is located for local, school and county uses.

*Comparative Tax Burden: Railroads and Other Property Owners*

Farmers and railroads are in similar tax positions. Each must operate large and valuable real property holdings with limited yield potentials. Perhaps the railroads are even in a more difficult position than farmers since much of their land and structures is in urban areas where both values and taxes are very high and, further, they are strictly regulated utilities.

**Table 3**  
**STATE OF NEW JERSEY**  
**1965 RAILROAD VALUATIONS AND TAXES BY RAILROADS AND BY CLASSES**

(1) Railroad System or Company	Conditional Maximum Tax		Property Valuations		Conditional Taxes for State Uses		
	(2) Per Mile of Track	(3) Total Amount	(4)	(5)	(6)	(7)	(8)
			Taxed for State Uses, Classes I and III	Taxed for Local Uses, Class II	Property Tax on Classes I and III at 1.20%	Franchise Tax, 10% of Net Ry. Oper. Income to N. J., or Minimum	Total Taxes for State Uses, Col. (6) + Col. (7)
Pennsylvania R. R. Co. System .....	\$4,500	\$5,599,809.00	\$90,572,488	\$44,751,235	\$1,086,869.86	\$203,154.50	\$1,290,024.36
Penna. & Atlantic R. R. Co. ....	3,000	121,803.00	239,782	8,552	2,877.38	100.00	2,977.38
The Union Transportation Co. ....	3,000	64,938.00	111,362	8,059	1,336.34	573.50	1,909.84
<b>Total, Penna. R. R. Co. Group .....</b>	<b>.....</b>	<b>.....</b>	<b>90,923,632</b>	<b>44,767,846</b>	<b>1,091,083.58</b>	<b>203,828.00</b>	<b>1,294,911.58</b>
Penn.-Reading Seashore Lines .....	4,500	2,356,834.50	10,535,901	1,259,750	126,430.81	4,000.00	130,430.81
The C. R. R. Co. of N. J. System .....	4,500	4,374,954.00	46,078,747	24,050,643	552,944.97	4,000.00	556,944.97
Reading Co. System .....	4,500	661,513.50	10,881,000	1,872,328	130,572.00	4,000.00	134,572.00
<b>Erie-Lackawanna R. R. Co. System .....</b>	<b>4,500</b>	<b>4,233,393.00</b>	<b>64,777,420</b>	<b>42,613,241</b>	<b>777,329.04</b>	<b>4,000.00</b>	<b>781,329.04</b>
The N. J. & N. Y. R. R. Co. ....	4,500	136,201.50	329,794	160,814	3,957.53	4,000.00	7,957.53
<b>Total, Erie-Lackawanna R. R. Co. Group ..</b>	<b>.....</b>	<b>.....</b>	<b>65,107,214</b>	<b>42,774,055</b>	<b>781,286.57</b>	<b>8,000.00</b>	<b>789,286.57</b>
N. Y. S. & W. R. R. Co. System .....	4,500	626,404.50	4,709,081	980,553	56,508.97	4,000.00	60,508.97
L. V. R. R. Co. System .....	4,500	1,560,469.50	21,959,425	11,133,926	263,513.10	4,000.00	267,513.10
The N. Y. C. R. R. Co. System .....	4,500	581,314.50	13,764,830	17,722,069	165,177.96	19,303.00	184,480.96
<b>Unclassified Railroads</b>							
The Balt. & Ohio R. R. Co. System .....	.....	.....	1,122,815	.....	13,473.78	100.00	13,573.78
East Jersey R. R. & Terminal Co. ....	3,000	15,789.00	131,762	111,504	1,581.14	100.00	1,681.14
Hoboken Shore R. R. System .....	3,000	22,392.00	437,451	276,388	5,249.41	100.00	5,349.41
The Lehigh & Hud. River Ry. Co. ....	4,500	299,362.50	2,638,789	59,003	31,665.47	16,991.80	48,657.27
Lucaston R. R. Co. ....	3,000	4,500.00	12,046	.....	144.55	100.00	244.55
Morristown & Erie R. R. Co. ....	3,000	50,628.00	289,094	58,318	3,469.13	100.00	3,569.13
Rahway Valley Co. Lessee System .....	3,000	45,960.00	299,255	36,850	3,591.06	3,326.70	6,917.76
Raritan River R. R. Co. ....	4,500	146,542.50	851,938	179,305	10,223.25	10,460.50	20,683.75
The Staten Island R. T. Ry. Co. ....	3,000	40,983.00	1,166,429	54,718	13,997.14	100.00	14,097.14
<b>Total, Unclassified R. R.'s .....</b>	<b>.....</b>	<b>.....</b>	<b>\$6,949,579</b>	<b>\$776,086</b>	<b>\$83,394.93</b>	<b>\$31,379.00</b>	<b>\$114,773.93</b>
<b>Grand Total .....</b>	<b>.....</b>	<b>.....</b>	<b>\$270,909,409</b>	<b>\$145,337,256</b>	<b>\$3,250,912.89</b>	<b>\$282,510.00</b>	<b>\$3,533,422.89</b>

Source: Department of the Treasury, Division of Taxation, Public Utility Tax Bureau.

**Table 3—Continued**  
**STATE OF NEW JERSEY**  
**1965 RAILROAD VALUATIONS AND TAXES BY RAILROADS AND BY CLASSES**

(1) Railroad System or Company	<i>Effective Taxes</i>				
	<i>Taxes for State Use</i>			(12) Taxes for Local Uses, Class II Property At Local Rates	(13) Total Taxes for Local and State Uses, Col. (11) + Col. (12)
	(9) Property Taxes on Classes I and III	(10) Franchise Tax	(11) Total Taxes for State Uses, Col. (9) + Col. (10)		
Pennsylvania R. R. Co. System .....	\$1,086,869.86	\$203,154.50	\$1,290,024.36	\$3,657,170.74	\$4,947,195.10
Penna. & Atlantic R. R. Co. ....	2,877.38	100.00	2,977.38	201.00	3,178.38
The Union Transportation Co. ....	1,336.34	573.50	1,909.84	147.63	2,057.47
<b>Total, Penna. R. R. Co. Group .....</b>	<b>1,091,083.58</b>	<b>203,828.00</b>	<b>1,294,911.58</b>	<b>3,657,519.37</b>	<b>4,952,430.95</b>
Penn.-Reading Seashore Lines .....	126,430.81	4,000.00	130,430.81	98,638.93	229,069.74
The C. R. R. Co. of N. J. System .....	552,944.97	4,000.00	556,944.97	2,258,824.17	2,815,769.14
Reading Co. System .....	130,572.00	4,000.00	134,572.00	111,868.06	246,440.06
Erie-Lackawanna R. R. Co. System .....	0.00	4,000.00	4,000.00	4,334,397.44	4,338,397.44
The N. J. & N. Y. R. R. Co. ....	3,957.53	4,000.00	7,957.53	3,598.13	11,555.66
<b>Total, Erie-Lackawanna R. R. Co. Group .....</b>	<b>3,957.53</b>	<b>8,000.00</b>	<b>11,957.53</b>	<b>4,337,995.57</b>	<b>4,349,953.10</b>
N. Y. S. & W. R. R. Co. System .....	56,508.97	4,000.00	60,508.97	21,101.29	81,610.26
L. V. R. R. Co. System .....	263,513.10	4,000.00	267,513.10	1,018,807.32	1,286,320.42
The N. Y. C. R. R. Co. System .....	0.00	4,000.00	4,000.00	2,042,813.86	2,046,813.86
<i>Unclassified Railroads</i>					
The Balt. & Ohio R. R. Co. System .....	13,473.78	100.00	13,573.78	0.00	13,573.78
East Jersey R. R. & Terminal Co. ....	1,581.14	100.00	1,681.14	10,863.83	12,544.97
Hoboken Shore R. R. System .....	0.00	100.00	100.00	33,141.68	33,241.68
The Lehigh & Hud. River Ry. Co. ....	31,665.47	16,991.80	48,657.27	1,755.35	50,412.62
Lucaston R. R. Co. ....	144.55	100.00	244.55	0.00	244.55
Morristown & Erie R. R. Co. ....	3,469.13	100.00	3,569.13	2,779.90	6,349.03
Rahway Valley Co. Lessee System .....	3,591.06	3,326.70	6,917.76	1,724.40	8,642.16
Raritan River R. R. Co. ....	10,223.25	10,460.50	20,683.75	6,809.46	27,493.21
The Staten Island R. T. Ry. Co. ....	13,997.14	100.00	14,097.14	3,879.21	17,976.35
<b>Total, Unclassified R. R.'s .....</b>	<b>\$78,145.52</b>	<b>\$31,379.00</b>	<b>\$109,524.52</b>	<b>\$60,953.83</b>	<b>\$170,478.35</b>
<b>Grand Total .....</b>	<b>\$2,303,156.48</b>	<b>\$267,207.00</b>	<b>\$2,570,363.48</b>	<b>\$13,608,522.40</b>	<b>\$16,178,885.88</b>

Source: Department of the Treasury, Division of Taxation, Public Utility Tax Bureau.

The farmers, by Constitutional amendment, adopted by the voters in November, 1963, have succeeded in obtaining special tax treatment for land in agricultural and horticultural use. The railroads seek relief by legislation under the existing tax clause (Article VIII, Sec. I, par. 1) of the 1947 Constitution.

The 1941 Railroad Tax Act provided substantial tax reductions for the railroads by the substitution of a flat tax rate of \$3.00 per \$100 of assessed valuation applicable to all property in railroad use, in place of the previous taxation of Class II or the local general property tax rates and Classes I and III or the State average general property tax rate (which in 1941 was \$4.818 per \$100 of assessed valuation). The 1947 Constitution required a substantial increase in the tax on Class II property, which would thereby greatly increase the total annual railroad taxes for state and local uses. The Constitutional Convention, desirous of avoiding this consequence, adopted a resolution recommending legislation to avoid an increase in the total railroad tax burden. The Railroad Tax Act of 1948, enacted pursuant to the Convention's recommendation, accordingly, reduced the tax on Class I and Class III property so as to offset the increase in Class II property taxes caused by the application of local general property tax rates to Class II valuations as required by the new Constitution. The specific means used to this end was to provide for the taxation of Classes I and III property at a flat rate of \$1.20 rather than at the flat rate of \$3.00 per \$100 of assessed valuation established under the 1941 law, and as compared with the general tax rates applicable to other property taxable locally.

Two factors made this tax concession very important dollar-wise to the railroads; first because the \$1.20 rate was far below the average state rate of taxation and the local tax rates where much of the Classes I and III property is located, and second because the assessed valuation of these two classes of property is almost double the valuation of Class II property. In 1965, the average rate of taxation in the State for property tax purposes was \$4.508 per \$100 of assessed valuation of real and personal property<sup>6</sup> and the general tax rates of many of the districts in which these classes of railroad properties are located were \$10 per \$100, or higher, so that the statutory rate of \$1.20 is only a fraction of the rate applicable to other ratables. And the operation of the tax ceilings further reduced the taxes payable on Classes I and III property.

The aggregate assessed valuation of Classes I and III properties (taxable at \$1.20 per \$100) is nearly twice the assessed valuation of Class II property (taxable at local tax rates). The former comprise almost two-thirds of the total assessed valuation of Classes I, II and III properties. For 1965 actual assessments were:

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<sup>6</sup> The average rate of taxation for the State had risen from \$4.818 per \$100 of assessed valuation in 1941 to its highest point of \$8.77 in 1961. Since the latter date it has dropped rapidly to \$4.797 in 1964 principally as a result of widespread increases in assessment ratios.

*Railroad Property Taxes  
for the Year 1965*

<i>Property Classification</i>	<i>Valuations</i>	<i>Total Tax (Before giving effect to tax ceilings)</i>
Classes I and III . . . . .	\$270,909,409	\$3,250,913
Class II . . . . .	145,337,256	13,608,522

The effective franchise tax, based upon allocated net railway operating income, has been relatively nominal for the past several years:

1965 . . . . .	\$267,207
1964 . . . . .	\$207,770
1963 . . . . .	\$165,819
1962 . . . . .	\$129,857
1961 . . . . .	\$107,445

*Comparative Tax Burden: New Jersey and Other States*

The per track mile tax in New Jersey is said to be the heaviest in the nation. The railroads claim it is more than three times the national average (Transcript of Public Hearing, March 6, 1964, pp. 115, 187). Speaking of the burden of the railroad tax, Highway Commissioner Palmer puts it this way: "New Jersey is the highest taxer in the country." (*Ibid.* p. 130) While there may be disagreement as to the precise per track mile tax burden, state by state, for comparative purposes, there seems to be little room for doubt of New Jersey's number one ranking. In a special study by the Pennsylvania Railroad, the figures were developed, using alternative formulas for allocating railroad revenue to New Jersey, with the results shown in Table 4.

In fact, it would be surprising if this were not so when it is observed that the per capita property tax burden in New Jersey is the highest in the country and that railroads, because of the nature of their operations, must own large acreages of land, much of it in very expensive urban areas, and numerous costly structures for the transportation of passengers and freight. Also contributing to this high per track mile tax burden is the fact that track mileage in New Jersey is relatively low in comparison with mileage in most other states, particularly those in the central and western parts of the country. But even when railroad taxes are compared according to other measures, such as traffic units and Interstate Commerce Commission valuations, within and without the state, the New Jersey tax burden still appears to be proportionately much greater than the burden in other states, as indicated by Table 4.

Sixteen years ago, the Commission, in its *Third Report* on the Taxation of New Jersey Railroads, said (p. 24): "that the economic condition of the railroads as a group, or at least those railroads which serve New

**Table 4**  
**PENNSYLVANIA R. R.**  
**1963 RELATIONSHIP OF VARIOUS OPERATING FACTORS COMPARED WITH STATE AND LOCAL PROPERTY TAXES**

	Track Miles	Traffic Units(a)	Car & Loco. Miles	Operating Revenue	CRLD(b)	Average	% of Taxes	% Taxes of Avg. (Col. 7 ÷ Col. 6)	% Taxes of CRLD (Col. 7 ÷ Col. 5)
New Jersey .....	5.95	3.75	4.30	8.48	9.24	6.344	21.78%	343.32	235.71
Delaware .....	2.07	1.32	1.51	1.94	1.84	1.736	0.59	33.99	32.01
District of Columbia	0.29	0.18	0.23	0.31	0.86	.374	0.59	157.75	68.60
Illinois .....	4.35	2.94	3.92	3.88	3.43	3.704	3.91	105.56	113.99
Indiana .....	12.50	10.81	12.63	11.07	7.35	10.872	9.81	90.23	133.47
∞ Kentucky .....	0.05	0.01	.....	0.04	0.25	.070	0.20	285.71	80.00
Maryland .....	4.37	3.98	4.31	5.80	5.37	4.766	7.23	151.70	134.64
Michigan .....	3.39	0.53	0.70	0.51	1.15	1.256	1.17	93.15	101.74
New York .....	4.80	2.55	2.14	2.51	7.77	3.954	9.01	227.87	115.96
Ohio .....	20.23	24.23	24.71	22.58	14.53	21.256	23.59	110.98	162.35
Pennsylvania .....	40.41	49.08	44.96	42.26	46.83	44.708	21.32	47.69	45.53
Virginia .....	0.73	0.26	0.25	0.29	0.50	.406	0.55	135.47	110.00
West Virginia .....	0.86	0.36	0.34	0.33	0.88	.554	0.25	45.13	28.41
	100.00	100.00	100.00	100.00	100.00	100.00	100.00		

(a) A traffic unit consists of two separate items. The passenger traffic unit is a passenger mile and the freight traffic unit is a ton mile. For the purpose of determining the traffic unit percentages, the total passenger miles and ton miles have been added together.

(b) Cost of Reproduction less depreciation (I. C. C. valuations).

Source: Pennsylvania Railroad Company, April 29, 1964.

Jersey, and the comparative tax burden imposed in other states, would normally warrant a reduction in the railroad tax imposed in this state . . .” but the Commission concluded that it could not recommend a reduction at that time since all other property owners were being required to increase their contributions to the support of local government.

*Further Developments in 1964*

Since the Commission’s Interim Report of May 18, 1964, dealing with the taxation of Classes I and III property there have been four new developments:

A. The Legislature has enacted Chapter 251, Laws of 1964, which exempts from taxation Classes I and III property of railroads, effective January 1, 1966. This tax reduction of about \$2.5 million annually will be felt for the first time in State revenue anticipations for the State’s fiscal year 1966-1967.

B. The State Division of Railroad Transportation has issued its report on the commuter subsidy program, which it offers as “a look ahead” at the second five years of the program. The report proposed legislation as follows:

(i) Senate 322 to change the basis of subsidy payments from the present procedure based on the extent of service operated, to a procedure based on the cost to the carrier of operating the service, permit payments for capital improvements by the carriers, and authorize the matching of federal funds from division appropriations (Now Chapter 88, Laws of 1964) ;

(ii) Authorize the Port of New York Authority to serve as an agent of the State in the purchase and rental of railroad commuter cars;

(iii) Amend the 1959 Bi-State Legislation to authorize the Port of New York Authority to receive federal aid for the commuter program;

(iv) Authorize counties and municipalities to contract for and maintain railroad station facilities (Chapter 209, Laws of 1964); and

(v) Amend the railroad tax law to exempt passenger cars operated under the terms of service contracts with the State. (This was included in Chapter 251, Laws of 1964, relating to the exemption of Classes I and III railroad property.)

C. The Congress has enacted the Urban Mass Transportation Act. (For a background of this Act pertinent to the North Jersey-Metropolitan New York area, see Report entitled “Commuter Transportation” prepared for the Committee on Interstate and Foreign Commerce, United States Senate, January 31, 1961, 87th Congress, First Session, Committee print.) Under this new federal legislation, appropriations are authorized as follows:

1965 fiscal year .....	\$ 75 million
1966 fiscal year .....	\$150 million
1967 fiscal year .....	\$150 million
<hr/>	
Total .....	\$375 million

The new law (enacted as P. L. 88-365) sets a maximum of 12½% of the appropriation to any one state. The Committee Report which accompanies the bill as passed sets forth its federal aid aspects as follows:

“The bill provides that the Federal grant may be for up to two-thirds of the net project cost, and that the remainder of the net project cost must be provided in cash by the locality from sources other than Federal funds or anticipated revenues. *(Tax forgiveness could not be used to meet the locality’s one-third share and could not be included in project costs.)* For this purpose, net project cost would be that portion of total cost which could not reasonably be financed from revenues. This would be the measure of the total need which the system itself could not meet. The formula thus would take into account the availability of revenues from fares to meet debt service on proposed projects. It would also require the localities to supply grants of at least one-third of net project cost in every case. In every instance, the basic objective of the program would be the provision of good services properly located, and at fares that would assure wide use.” *(Italics added.)*

D. Passenger service for 100,000 daily interstate travellers will be substantially improved in 1966 under the program of the Port Authority Trans-Hudson Corp., a railroad operating subsidiary of the Port of New York Authority. PATH is modifying the traction power system of the former H. & M. Railroad at an estimated cost of \$5 million. This will provide the expanded capacity to handle the commuter trains of the Central Railroad of New Jersey to be routed into Pennsylvania Station in Newark for passenger transfer to PATH (“the Aldene Plan”). The PATH improvement and expansion program also calls for a fleet of 162 new passenger cars to be on the tracks in 1966, a new Hudson Terminal in lower Manhattan and an improved station at Journal Square, as the core of a proposed new transportation center in Jersey City.

## PART II

### *The Need for Tax Reduction*

Throughout the past decade studies by government, the railroad industry and civic groups have repeated the findings and conclusions of each other that railroad passenger service has become uneconomical for the railroads of America. This has not been true of freight service, and there may be occasional through passenger trains which earn a fair return on investment, but it has been generally true of commuter rail service throughout the United States. In fact, for some railroads the deficits from such service have eaten up the profits earned from freight traffic. With particular reference to New Jersey, this situation has been emphasized in testimony before the Commission offered by the Associated Railroads of New Jersey.<sup>7</sup> As this Commission noted in its Tenth Report<sup>8</sup>:

“These presentations stressed the serious financial plight of these railroads, said to be much worse now than during the 1932 Depression; their heavy and mounting operating losses, especially from commuter and passenger service; the abandonment of substantial trackage and acreage of railroad property in New Jersey because of taxes; the heavy burden of New Jersey property taxes as compared with other states; the composite systems deficit of \$64 million in 1961; and a drop in the composite working capital of these roads from \$42 million as of December 31, 1959 to a deficit of \$66 million on June 30, 1961. In emphasizing the importance of the railroad industry to the general economy of the State and the heavy dependence of industry and business upon the railroads, it was pointed out that the roads in 1946 employed 40,000 persons within New Jersey, while in 1960 the number had dropped to 21,000, although total payrolls had moved up from \$110 million in 1946 to \$123 million in 1960, and that the railroads move more than 100,000 commuters daily and transport about 11 million tons of freight originating here and 31 million tons terminating here.

“The railroad spokesmen (like the New Jersey farmers) pointed out that railroads require large real property holdings in the performance of their transportation services, but derive low earnings per acre from their use, and that neither industry can survive if their properties are valued for tax purposes on the basis of potential industrial or commercial uses. In fact, they alleged even a worse position than the farmers in that they are a regulated utility and therefore not free to capitalize on a profitable sale of operating property or to abandon unprofitable operating property.”

<sup>7</sup> New Jersey Commission on State Tax Policy, “Public Hearings on New Jersey’s Tax Problems” (April 27, 1962), Vol. III, p. 1A, and Vol. IV, pp. 9-37.

<sup>8</sup> Tenth Report of the Commission on State Tax Policy (Trenton, 1963) pp. 111 *et seq.*

Tangible evidence of decline in the railroad industry is both physical and financial. The physical evidence is all about us, despite the efforts of regulatory agencies of Federal and State governments to require the railroads to maintain adequate service on passenger lines. The financial evidence may be found in the steadily worsening situation of most of the railroads with respect to annual net income (deficit) and working capital. When the Commission last reported in its Tenth Report, it appeared that the aggregate net annual deficit of the railroads serving New Jersey had increased from \$4.6 million in 1959 to \$63.8 million in 1961, and their aggregate working capital had declined from \$362 million in 1945 to a

**Table 5**  
**NEW JERSEY RAILROADS**  
**SYSTEM NET INCOME OR DEFICIT,\* 1960-1963**

	1960	1961	1962	1963
Jersey Central System	(\$4,292,037)	(\$7,093,879)	(\$7,458,889)	(\$6,036,959)
Erie-Lackawanna .....	(19,995,614)	(26,488,759)	(16,608,069)	(17,115,272)
Lehigh and Hudson ....	95,147	127,068	188,468	251,934
Lehigh Valley .....	(3,240,185)	(8,320,287)	(2,840,154)	(3,232,024)
N. J. & N. Y. ....	(9,203)	35,718	24,509	47,390
New York Central .....	1,038,253	(12,549,048)	(3,835,538)	7,039,843
Susquehanna .....	(402,514)	(394,280)	(342,472)	(440,237)
Pennsylvania .....	(7,819,112)	3,515,586	(3,209,885)	9,158,870
Penn-Reading .....	(6,454,146)	(6,357,770)	(5,622,088)	(4,880,775)
Reading .....	1,154,904	(6,257,113)	(4,916,558)	(6,485,663)
<b>Totals .....</b>	<b>(\$39,924,507)</b>	<b>(\$63,782,764)</b>	<b>(\$44,620,676)</b>	<b>(\$21,692,893)</b>

\* ( ) Denotes Deficit.

Source: Associated Railroads of New Jersey (See Commission on State Tax Policy, Transcript of Public Hearing, March 6, 1964, p. 183).

**Table 6**  
**NEW JERSEY RAILROADS**  
**WORKING CAPITAL\* 1960-1963**

	12-31-60	12-31-61	12-31-62	12-31-63
Jersey Central System	\$4,682,654	\$4,640,458	\$669,068	(\$2,054,854)
Erie-Lackawanna .....	3,772,799	(5,809,153)	(3,401,139)	(17,287,453)
Lehigh and Hudson ....	511,949	615,065	448,267	166,846
Lehigh Valley .....	1,348,141 <sup>a</sup>	(137,489)	(2,065,028)	3,314,526
N. J. & N. Y. ....	(161,798)	(737,189)	(771,116)	(547,510)
New York Central .....	12,198,535	(3,776,113)	(19,617,046)	(28,406,682)
Susquehanna .....	(278,168)	(508,986)	(1,173,031)	(1,614,250)
Pennsylvania .....	2,428,615	(7,471,597)	(9,119,843)	(4,420,704)
Penn-Reading .....	(3,030,683)	(3,504,959)	(6,598,127)	(2,515,545)
Reading .....	4,068,851	(4,173,743)	(12,272,944)	(10,909,913)
<b>Totals .....</b>	<b>\$25,540,895</b>	<b>(\$20,863,706)</b>	<b>(\$53,900,939)</b>	<b>(\$64,275,539)</b>

\* Includes material and supplies and debt within one year.

( ) Denotes Deficit.

(a) Includes sale of Black Tom Explosion claims for \$1,000,000.

Source: Associated Railroads of New Jersey (See Commission on State Tax Policy, Transcript of Public Hearing, March 6, 1964, p. 184).

total of \$25.5 million in 1960 (*Ibid.* pp. 113-114). More recent figures, as shown in Tables 5 and 6 indicate a continuation of this discouraging trend.

Both the railroad industry and regulatory bodies have attributed the plight of the railroads to losses incurred on passenger service, particularly the short run commuter passenger service which is so essential in New Jersey. The nature and extent of the losses has also been a matter of some difference of approach among analyst. This difference turns upon the method of calculating passenger service costs, since it is believed that passenger service revenues are quite readily separable from freight service revenues.

From its beginnings, the Interstate Commerce Commission has had trouble with the definition of railroad costs separated on a service basis. The present system stems from the order of June 13, 1914 (30 I.C.C. 672), which required all Class I railroads to separate operating expenses between freight and passenger service by attributing to each type of service the expenses which relate solely to that service and apportioning expenses common to both by a formula. The formula allocates the common expense to each type of service in proportion to traffic units (ton miles, car miles, train miles, etc.), and applies to all operating expenses, railway taxes, equipment rents, and joint facility rents common to both freight service and passenger and allied services. While there have been some revisions in detail, the basic principles of the 1914 order have remained unchanged for over 50 years.<sup>9</sup> In essence, the I.C.C. method produces what is called the fully-allocated cost. This may be compared with the out-of-pocket, or avoidable cost of passenger service. The difference is important as to any railroad whose principal source of revenue is freight business for the reason that so long as passenger revenues exceed out-of-pocket expense, the passenger business will provide a net revenue to supplement freight earnings. Stated another way, the I.C.C. method of cost allocation results in the anomalous situation that complete elimination of passenger service will not eliminate the passenger service deficit, at least on any railroad where passenger revenues cover out-of-pocket expenses. (See Table 7, "allocated expense" line.)

Passenger service deficits in New Jersey have been reported by the Division of Railroad Transportation on a fully allocated basis for a number of years. As shown in Table 8, on this basis all of the major railroad systems suffered net operating deficits from suburban passenger service operations in New Jersey for each year since 1960, and the total combined annual average deficit of all these railroads from such service was approximately \$20.7 million. As compared with this figure, however, if we allocate the railroad system income or deficit, without attempting to separate freight and passenger operating results, in proportion to all track miles in

<sup>9</sup> See 49 CFR 121.0 to 121.70, and I.C.C., Rules Governing the Separation of Operating Expenses, Railway Taxes, Equipment Rents, and Joint Facility Rents Between Freight Service and Passenger Service on Class I Line-haul Railroads (1953, as amended 1954).

**Table 7**  
**NEW JERSEY RAILROADS WITH PASSENGER SERVICES**  
**SYSTEM PASSENGER REVENUES, PASSENGER SERVICE EXPENSES NET RAILWAY OPERATING DEFICIT AND TRACK MILES OPERATED**  
**YEAR 1963**

	P. R. R.	P-Reading S. Lines	C. R. R. Co. of N. J.	Reading	Erie- Lackawanna	N.J. & N.Y.	N.Y.S. & W.
<b>Passenger Revenues:</b>							
Excluding State contract .....	\$163,137,767	\$645,241	\$7,234,695	\$9,099,673	\$25,970,643	\$540,107	\$42,177
State contractual payments .....	1,800,000	188,000	1,401,468	17,790	2,372,942	100,611	24,662
<b>Total Passenger Revenues .....</b>	<b>\$164,937,767</b>	<b>\$833,241</b>	<b>\$8,636,163</b>	<b>\$9,117,463</b>	<b>\$28,343,585</b>	<b>\$640,718</b>	<b>\$66,839</b>
<b>Passenger Operating Expenses:</b>							
Directly assigned .....	\$147,027,694	\$1,688,386	\$8,757,800	\$9,746,954	\$26,204,373	Not Available	\$235,389
Allocated expense .....	31,935,945	926,567	3,219,593	3,789,676	8,555,415		116,766
<b>Total Passenger Oper. Expenses .....</b>	<b>\$178,963,639</b>	<b>\$2,614,953</b>	<b>\$11,977,393</b>	<b>\$13,536,630</b>	<b>\$34,759,788</b>		<b>\$352,155</b>
Net Revenue from Passenger Operations ...	(\$14,025,872)	(\$1,781,712)	(\$3,341,230)	(\$4,419,167)	(\$6,416,203)		(\$285,316)
<b>Railway Tax Accruals:</b>							
Directly assigned .....	\$13,306,169	\$134,400	\$5,244 (Not available)		\$1,414,533	Not Available	Not Available
Allocated to passenger service .....	2,889,266	73,746	1,525,762		2,062,309		
<b>Total Railway Tax Accruals .....</b>	<b>\$16,195,435</b>	<b>\$208,146</b>	<b>\$1,531,006</b>	<b>\$1,090,936</b>	<b>\$3,476,842</b>		<b>\$37,399</b>
<b>Hire of Equip. and Jt. Facility Rents:</b>							
Directly assigned .....	(\$3,421,680)	(\$44,419)	(\$32,972)	(\$249,782)	\$137,668	Not Available	(\$3,300)
Allocated to passenger service .....	(223,500)	.....	(103,157)	.....	4,317		.....
<b>Total Hire of Equip. and Joint Facility Rents .....</b>	<b>(\$3,645,230)</b>	<b>(\$44,419)</b>	<b>(\$136,129)</b>	<b>(\$249,782)</b>	<b>\$141,985</b>		<b>(\$3,300)</b>
Net Railway Operating Deficit .....	(\$33,866,537)	(\$2,034,277)	(\$5,008,365)	(\$5,759,885)	(\$9,751,060)		(\$326,015)
Percent of <b>Passenger Deficit</b> to Passenger Revenues .....	20.53	244.14	57.99	63.17	34.40		487.76
(Depreciation and retirements included in above expense figures) .....	\$12,418,759	\$222,734	\$892,294	\$900,641	\$3,113,144		\$19,697
Total Track Miles Operated .....	22,793.81	552.00	1,551.39	3,039.88	6,968.80	63.95	153.60
Track Mileage in New Jersey .....	1,364.13	552.00	1,033.10	177.78	990.42	46.17	153.60
% of Track Miles in New Jersey .....	5.984651	100.00	66.591895	5.848257	14.212203	72.197029	100.00

Source: Annual Reports of Railroads to Interstate Commerce Commission and Public Utility Tax Bureau.

( ) Denotes Debit or Deficit.

New Jersey (as we do for revenues) the resulting annual average deficit for the years 1960-1963 becomes \$14.0 million (total system deficits shown in Table 5 allocated to New Jersey by all-track miles factors shown in last line of Table 7).

In brief, whether the average annual deficit is properly stated as \$20 million from passenger service alone or as \$14.0 million from combined services, it is quite apparent that no industry can be expected to accumulate such losses year after year and to suffer the impairment of working capital which has been shown and at the same time continue to render a vital transportation service to the public.

#### *Variations Among Railroads*

One of the particular difficulties in recognizing the equities of the railroad situation is the substantial differences among railroads with respect to their relative revenue structures, deficits, and tax burdens. For example, in the 1965 tax year (1964 revenue year) there was \$142,767,710 in gross railway operating revenues allocated to New Jersey under the all-track miles allocation formula. Of this total revenue, only 15.1% was related solely to passenger and allied service. Among the railroads providing passenger service, the percentage of their total revenues from such service ranged from 3.3% of the New York, Susquehanna and Western total to 18.6% of the Pennsylvania total. (See Tables 9, 10, 11.) It should be mentioned that while these tables show passenger revenue allocations to New Jersey in the case of the New York Central Railroad, actually this railroad has not operated passenger services in New Jersey since December 10, 1959.

The overall 1963 deficit reported by the Division of Railroad Transportation was approximately equal to the total revenues related solely to passenger and allied services, but the extent of the deficit varied substantially among the railroads. (Compare Tables 8 and 9.) For example, the Pennsylvania Railroad deficit was equal to 80% of its revenues from passenger service, while that for the Jersey Central was 110% and for the Penna-Reading Seashore lines was 250%. The Erie-Lackawanna was close to the average of 100%. It may be concluded that any program of tax relief following the rule of uniformity of treatment will necessarily result in unequal benefits to the railroads as compared with what they are now paying.

Meanwhile, New Jersey has not been idle in attempting to face the railroad transportation problem, with both tax relief and selective subsidies under the railroad contract program.

But, as with many public assistance programs, the question has been raised with respect to past, present and contemplated future assistance to the railroads operating in New Jersey by federal, state and local governments as to whether this assistance may already have gone far enough.

Actually, it is not presently possible to state with precision the full extent of this governmental assistance. It is known, of course, that the

**Table 8**

**RAILROAD SUBURBAN SERVICE DEFICITS 1960-63 COMPARED WITH EARNINGS UNDER THE CONTRACT PROGRAM<sup>a</sup>**

Carrier	Deficits(d)				Total Deficits	Total Contract Payments	% of Deficit Reimbursed
	1960 (b)	1961 (b)	1962	1963 (est.)			
Erie-Lackawanna .....	\$4,051,270	\$3,260,310	\$3,808,459	\$4,000,000	\$15,120,039	\$9,484,117	63%
Pennsylvania <sup>c</sup> .....	7,483,000	8,223,000	8,768,000	8,000,000	32,474,000	7,074,584	22%
Jersey Central .....	5,029,345	4,846,918	6,027,893	6,300,000	22,204,156	5,498,018	25%
New Jersey & NY .....	96,248	116,010	152,417	150,000	514,675	371,366	72%
Reading .....	173,818	234,384	354,509	275,000	1,037,711	63,327	6%
P-RSL <sup>e</sup> .....	2,889,264	2,409,763	2,509,802	2,200,000	10,008,829	382,980	4%
NYS&W <sup>e</sup> .....	404,448	317,884	319,497	300,000	1,341,829	49,300	4%
<b>Total .....</b>	<b>\$20,127,393</b>	<b>\$19,408,369</b>	<b>\$21,940,577</b>	<b>\$21,225,000</b>	<b>\$82,701,239</b>	<b>\$22,923,692</b>	<b>28%</b>

(a) Deficits computed on a fully allocated basis in accordance with accounting practices prescribed by the I.C.C., as modified by formulas developed by Railroad Division to reflect only operations within New Jersey.

(b) Excludes revenues and expenses attributable to mail, express and baggage.

(c) Excludes revenues and expenses from long distance services.

(d) Before application of State contract earnings.

(e) P-RSL not under contract during fiscal years 1960-61 and 1961-62; NYS&W not under contract during fiscal years 1960-61, 1961-62 and 1962-63.

Source: Division of Railroad Transportation, New Jersey Highway Department—Report on The Railroad Program and Recommendations for Legislative Action, April 1, 1964, page 9.

Table 9

SYSTEM RAILWAY OPERATING REVENUES ALLOCATED TO NEW JERSEY AS RELATED TO FREIGHT AND PASSENGER SERVICE, TAX YEAR 1965<sup>a</sup>

	All-Track Miles Allocation Factor	Related Solely to Freight Service	Related Solely to Passenger and Allied Service	Total	% Passenger
Pennsylvania Railroad .....	6.095158%	\$43,294,452	\$9,900,047	\$53,194,499	18.6%
Penna.-Reading Seashore Lines .....	100.0	6,870,382	813,140	7,683,522	10.6
Central R. R. Co. of N. J. System .....	66.583531	27,889,063	5,925,866	33,814,929	17.5
Reading Company .....	5.483688	4,864,944	458,250	5,323,194	8.6
Erie-Lackawanna R. R. ....	13.926520	25,904,995	3,663,361	29,568,356	12.4
N. Y., Susquehanna & Western R. R. ....	100.0	2,855,223	97,392	2,952,615	3.3
Lehigh Valley R. R. ....	14.398669	6,612,556	.....	6,612,556	0.0
New York Central R. R. ....	0.564899	2,958,523	659,516 <sup>b</sup>	3,618,039	18.2
<b>Total</b>		<b>\$121,250,138</b>	<b>\$21,517,572</b>	<b>\$142,767,710</b>	<b>15.1</b>

(a) Track Miles and Operating Revenue figures are for Calendar Year 1964. Both freight and passenger gross operating revenues are allocated to New Jersey on an arbitrary basis of all-track miles everywhere to all-track miles in New Jersey.

(b) Actually the New York Central Railroad does not operate passenger service in New Jersey.

Source: I.C.C. Form A Reports and N. J. Public Utility Tax Bureau Tax Computation Statements.

**Table 10**  
**NEW JERSEY RAILROADS**  
**ALL-TRACK MILEAGE, GROSS OPERATING REVENUE AND ALLOCATED FREIGHT REVENUE AND CLASS II TAX PER N. J. TRACK MILE<sup>a</sup>**  
**TAX YEAR 1965<sup>b</sup>**

Railroad	All-Track Mileage			Gross Operating Revenue			Per N. J. Track Mile				
	System	New Jersey	Allocation Factor	System		Total	Allocated to N. J.		Allocated Frt. Rev.	Class II Tax	% Tax to Frt. Rev.
				Freight	Passenger		Freight	Total			
P. R. S. L. ....	552	552	100.0	\$6,870,382	\$813,140	\$7,683,522	\$6,870,382	\$7,683,522	\$12,446	\$179	1.44
N. Y. S. & W. ....	150	150	100.0	2,855,223	97,392	2,952,615	2,855,223	2,952,615	19,035	141	0.74
Reading .....	2,992	164	5.483688	88,716,644	8,356,606	97,073,250	4,864,944	5,323,194	29,664	682	2.30
Central of N. J. ....	1,539	1,025	66.583531	41,885,828	8,899,898	50,785,726	27,889,063	33,814,929	27,209	2,204	8.10
Penna. ....	22,370	1,363	6.095158	710,308,940	162,424,782	872,733,722	43,294,452	53,194,499	31,764	2,683	8.44
Lehigh Valley .....	2,369	341	14.398669	45,924,774	.....	45,924,774	6,612,556	6,612,556	19,391	2,988	15.41
E.-L. ....	6,747	940	13.926520	186,011,979	26,304,930	212,316,909	25,904,995	29,568,356	27,559	4,615	16.75
New York Central ..	19,134	108	0.564899	523,725,977	116,749,303	640,475,280	2,958,523	3,618,039	27,394	18,915	69.05
Totals .....	57,139	4,738	....	\$1,606,299,747	\$323,646,051	\$1,929,945,798	\$121,250,138	\$142,767,710			

(a) Ascending order of Class II Tax per New Jersey All-Track Mile.

(b) Track Mileage and Operating Revenue figures are for Calendar Year 1964.

Source: I.C.C. Form A Reports and New Jersey Public Utility Tax Bureau.

passenger-carrying railroads operating in the State have been the beneficiaries, in varying amounts, of about \$23 million during the period 1960-1963, inclusive, under New Jersey's passenger service contract program. As shown in Table 8, this subsidy program reimbursed 28% of the aggregate passenger service deficit of the seven participating carriers as reported by the Division of Railroad Transportation for this period with reimbursement running as high as 63% of such deficit in the case of the Erie-Lackawanna.

In 1966, and thereafter, the railroads will benefit to the extent of about \$2.5 million annually from the exemption of Classes I and III property pursuant to Chapter 251, Laws of 1964, effective January 1, 1966. And then there is the presently recommended exemption of all passenger facilities from tax which, if enacted, will further reduce railroad taxes by another \$2 million. These tax concessions would reduce the annual railroad tax bill from \$16 to \$12 million.

There are, of course, other projects, both in process and completed, which will benefit the commuter service railroads, but it is not so easy at this time to approximate the values of the resulting benefits. A capital expenditure program involving the so-called "Aldene Plan" will aid in handling Jersey Central passenger traffic and contemplated capital outlays to obtain matching federal funds under the Urban Mass Transportation Act of 1964 will, if consummated, be of further help to several of the commuter roads.

It has been estimated that the "Aldene Plan" will reduce operating expenses of the Jersey Central by \$1.5 million; that a contemplated reduction in ferry service will save the Erie-Lackawanna about \$350,000 in operating expenses; and that increases in passenger fares for some of the railroads will result in substantial additional revenue.

The appropriations act covering the State's fiscal year July 1, 1965-June 30, 1966, provides a total of \$7.5 million for railroad subsidies which may be used for reimbursement of commuter service losses or capital outlays. The Division of Railroad Transportation in negotiating subsidy contracts with the railroads for 1965-66 has determined 1964 allocated passenger deficits and proposed 1965-66 contract payments as follows:

**Table 11**  
**N. J. DIVISION OF RAILROAD TRANSPORTATION CONTRACT PAYMENTS 1965-66**

	<i>Allocated 1964 Passenger Deficits</i>	<i>1965-1966 Proposed Contract Payments</i>
1. Pennsylvania .....	\$9,472,000	\$2,000,000
2. Jersey Central .....	5,994,694	2,500,000
3. Erie-Lackawanna .....	5,486,512	2,300,000
4. Penn-Reading Seashore Lines .....	2,152,686	200,000
5. New York, Susquehanna & Western ...	327,472	60,000
6. New Jersey & New York .....	289,830	75,000
7. Reading .....	179,496	37,000

Much, if not most, of the \$7.5 million available for assistance to the railroads in 1965-66 is actually being used, not as reimbursement payments for passenger service deficits, but in an effort to obtain matching funds from the federal government under the UMT Act to aid in financing the "Aldene Plan" involving the Central; to acquire commuter passenger car units for use on the Pennsylvania and to conduct a demonstration project on the Erie-Lackawanna. Each of these projects is now in an advanced stage.

The following summary will indicate in a general way the intended uses of the contract payments listed in Table 11:

*Pennsylvania Railroad.* This \$2.0 million is not for service contract payments in 1965-66. It was proposed, with the approval of the Pennsylvania, that this sum be used as matching funds for a Federal grant of at least \$2.0 million under the Urban Mass Transportation Act of 1964. If this \$4.0 million becomes available, it will be used by the State to purchase 16 new passenger units which will be leased to the Pennsylvania. The Division of Transportation is hopeful that the Pennsylvania will provide another \$4.0 million for the acquisition of 16 additional units as the first step in acquiring a total of 80 new units needed to improve suburban passenger service on this railroad. Service contract payments will terminate as of June 30, 1965 if the State is successful on its application for federal funds to acquire new equipment.

*Jersey Central.* Service contract payments to the Jersey Central for 1965-66 total \$4.6 million to date; \$2.5 under the appropriation act; and \$2.1 under a supplemental appropriation of November 29, 1965. The State, on April 26, 1965, submitted an application to the Housing and Home Finance Agency for Federal matching funds under the Urban Mass Transportation Act of 1964 in the amount of \$3,622,124 to assist in financing the Aldene Plan which involves the Jersey Central. The Division also proposes, as soon as funds are available, the "installation of a station ticket validation system with substantial savings to the railroad." (1965-66 Service Contract Proposal, p. 1)

*Erie-Lackawanna.* Increases in commutation and other fares on the E-L were approved by the Highway Commissioner and became effective January 1, 1965. Further increases requiring the approval of the ICC became effective June 1, 1965. It has been estimated that these fare increases will produce about \$500,000 in additional annual net revenue. The Division of Transportation also estimated that curtailment in ferry service about January 1, 1966 should reduce the ferry deficit by \$350,000 annually (E-L Report to Governor, March, 1965, p. 58). Maximum service contract payments to the E-L for 1965-66 are proposed in the amount of \$2.3 million. It was proposed to expend \$1,445,000 of this total as matching funds for a federal grant under the 1964 UMT Act to conduct a demonstration project on this railroad to determine whether increased revenues can be developed from suburban passenger operations by the adoption of public policies and recommendations which will be proposed

by a citizens' committee appointed by the Boards of Freeholders of the counties served by the E-L.

*Penn-Reading Seashore Lines.* Some changes in P-R SL service have been authorized by the Highway Commissioner which would be beneficial to the railroad's financial results, but they have not gone into operation either because of pending litigation or delayed action by the ICC. Other proposals for relief are pending before the Highway Commissioner. The actual dollar values of these pending and proposed changes have not been determined to date. In proposing \$200,000 for service contracts in 1965-66 the Division said: "This amount, when combined with passenger income is less than the costs during 1964 of repairs to locomotives and cars plus basic wages of train and engine crews. Obviously the P-R SL will still experience a very large passenger operating deficit, but budgetary limitations prevent any larger payments. In addition, it is felt that the financial results of P-R SL passenger service will be improved by actions being taken in connection with construction of the rapid transit line." (1965-66 Service Contract Proposal, p. 2) An additional \$100,000 has been provided by the Supplemental Appropriation Act of November 29, 1965.

*New York, Susquehanna & Western.* This is an estimated figure at this time. Changes in NYS & W service authorized by the Highway Commissioner on January 15, 1965 would have assisted in reducing passenger deficits, but legal action has prevented the railroad from making these changes and its financial distress has increased. In proposing \$60,000 for service contracts in 1965-66, the Division said: "In determining the amount to be paid the Susquehanna under its 1965-66 fiscal-year contract, the position of the State was that it was not logical for the State to support this service to any greater extent than those of its residents who use it. This position remains unchanged. Therefore, the maximum to be paid in the 1965-66 fiscal year to the Susquehanna for operating passenger service will be the amount which passengers pay in fares during the 1965 calendar year. It is estimated that this will be \$60,000. Consideration is also being given to the feasibility of including the Susquehanna service in the proposed demonstration project on the Erie-Lackawanna." (1965-66 Service Contract Proposal, pp. 2, 3) This amount has since been increased by an additional \$60,000 under the Supplemental Appropriation Act of November 29, 1965.

*New Jersey and New York.* Increases in commutation fares on the New Jersey and New York were approved by the Highway Commissioner on December 14, 1964, subject to ICC approval. This additional revenue would partially offset higher wage costs resulting from recent national labor settlements. The Division has proposed that ". . . the 1965-66 fiscal year contract with the New Jersey and New York include compensation of \$75,000 for the performance of service required by contract. This amount, combined with passenger income, is equal to all 1964 expenses in the

**Table 12**  
**ASSISTANCE PROGRAMS FOR COMMUTER SERVICE RAILROADS IN NEW JERSEY**  
**(Estimated as of June 1, 1965)**

Purpose	Pennsylvania		Central		Erie-Lackawanna		Penn-Reading S.L. (b)	New York Susquehanna and New Jersey			Totals
	One Time Project (Millions)	Annual	One Time Project (Millions)	Annual	One Time Project (Millions)	Annual		Reading & Western (b)	New York (b)	Reading (b)	
1. Exemption of Classes I & III property .....	.....	\$1,091,084	.....	\$552,945	.....	<sup>a</sup>	\$126,431	\$56,509	\$3,958	\$130,572	\$1,961,499
2. Proposed exemption of passenger facilities .....	.....	768,028	.....	445,989	.....	\$793,800	9,678	2,079	.....	3,376	2,022,950
3. Passenger service contract payments .....	.....	.....	.....	.....	.....	900,000	200,000	60,000	75,000	37,000	1,272,000
4. Fare increases .....	.....	.....	.....	.....	.....	500,000	.....	.....	.....	.....	500,000
5. New commuter car units (State-Federal)....	\$4.0 <sup>c</sup>	.....	.....	.....	.....	.....	.....	.....	.....	.....	4,000,000
6. Aldene Plan financing (State-Federal) .....	.....	.....	\$3.6	.....	.....	.....	.....	.....	.....	.....	3,600,000
7. Estimated Aldene Plan operating savings .....	.....	.....	.....	1,500,000	.....	.....	.....	.....	.....	.....	1,500,000
8. Demonstration Project (State-Federal) .....	.....	.....	.....	.....	\$4.3	.....	.....	.....	.....	.....	4,300,000
9. Curtailment of ferry service .....	.....	.....	.....	.....	.....	350,000	.....	.....	.....	.....	350,000
<b>Totals<sup>d</sup> .....</b>	<b>\$4.0</b>	<b>\$1,859,112</b>	<b>\$3.6</b>	<b>\$2,498,934</b>	<b>\$4.3</b>	<b>\$2,543,800</b>	<b>\$336,109</b>	<b>\$118,588</b>	<b>\$78,958</b>	<b>\$170,948</b>	<b>\$19,506,449</b>

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(a) Already exempt under per-track-mile maximum tax provision.

(b) Annual.

(c) For lease to Pennsylvania. There may be additional acquisitions.

(d) In addition, several communities have taken over local passenger stations and parking yards or have agreed to provide maintenance (c. 209, L. 1964).

transportation category (except superintendence), as well as amounts paid for rentals and maintenance in connection with passenger locomotives and cars. Consideration is also given to inclusion of New Jersey and New York service in the proposed Erie-Lackawanna demonstration project." (1965-66 Service Contract Proposal, p. 2) This amount was increased by \$68,000 under the Supplemental Appropriation Act.

*Reading.* Fare increases on Reading's two feature trains took effect on January 4, 1965. Accordingly revenues have increased. Authorization to discontinue two trains with limited patronage in New Jersey was granted. The Division said that "In determining the amount to be paid the Reading under its 1964-65 fiscal year contract, the position of the State was that it was not logical for the State to support this service to any greater extent than those of its residents who use it. This position remains unchanged. It is estimated \$37,000 in revenue will be accrued by the Reading during the 1965 calendar year from its passengers who are New Jersey residents. . . ." (1965-66 Service Contract Proposal, pp. 2, 3) An additional \$33,000 is provided by the Supplemental Appropriation Act.

The immaturity of many of the projects at this time makes it very difficult to catalogue and price the various benefits which may in the future accrue to the passenger carrying roads. Notwithstanding the various uncertainties involved, Table 12 showing actual and possible benefits to the railroads has been prepared in the hope that it may be of some assistance in considering the overall aid programs. It must be understood that all amounts are estimated and that some of the listed benefits may never materialize.

Contemplated disposition of the 1965-66 appropriation of \$7.5 million would indicate that the previous policy of direct reimbursement to the railroads of a part of their commuter losses is shifting to one of limited reimbursement, capital outlays and feasibility studies, with emphasis on the latter two to take advantage of available federal aid under the UMT Act. What the policy will be in the years ahead, or, in fact, whether there will be any subsidy program in the future is not presently apparent. A special Senate study committee was created under Senate Resolution 4, adopted May 24, 1965, ". . . to make a study of passenger and freight railroad operations within this state and the advisability and practicability of providing for the creation of a public authority with power to acquire and operate passenger and freight railroad facilities."

This Special Senate Committee, under the chairmanship of Senator William E. Ozzard of Somerset County, has conducted six public hearings to date. The voluminous testimony is replete with reiterations by the railroads of their heavy annual passenger, and particularly their commuter, traffic losses. Pointing to the fact that private capital is no longer willing to absorb these continuing losses; that merger with a large interstate railroad system is not possible so long as they are faced with these

heavy annual deficits; and that providing commuter services has now become a public and not a railroad responsibility, they urge the creation of a public authority or agency to take over completely the operation of commuter services, within the state since it is their intention to apply immediately for authorization to terminate these services.

In view of these on-going programs, and of the selective relief where the public interest is greatest under the railroad contract plan, it is difficult to determine the amount of additional tax relief which should be provided in the interest of preserving railroad transportation service. Certainly the railroad problem runs much deeper than the tax problem alone, since there would still be a substantial deficit on the fully allocated basis if there were no railroad taxes at all. Moreover, so long as railroad property remains vulnerable to rising municipal tax rates the benefits of other programs are apt to be dissipated in increased local tax payments. Accordingly, the Commission recommends:

**That property in railroad use be removed from the local tax base (with provision to save the municipalities harmless), and that in the future all railroad taxes shall be levied by the State for state use. The Commission further recommends that, consistently with the existing commuter service contract program, additional tax relief should be provided equal to the tax currently being assessed with respect to land, track and structures outside of main stem which are used for passenger service (amounting to \$2.0 million annually); and that thereafter further tax relief be provided by the State in accordance with the evolving nature of the railroad situation and the availability of State funds from other sources.**

### PART III

#### *A New Plan of Railroad Taxation*

Any change in the traditional system of railroad taxation under the ad valorem property tax must take into account the property tax clause of the Constitution of 1947. The clause reads as follows:

“1. Property shall be assessed for taxation under general laws and by uniform rules. All real property assessed and taxed locally *or by the State for allotment and payment to taxing districts* shall be assessed according to the same standard of value; and such real property shall be taxed at the general tax rate of the taxing district in which the property is situated, for the use of such taxing district.” (Italics added.) (Article VIII, Section 1, paragraph 1.)

After Chapter 251 of the Laws of 1964 takes effect, the only remaining property of railroads which will be subject to taxation is Class II property. The Attorney General has ruled in a formal opinion that the taxation of such property, under properly drawn legislation, may be transferred from the municipalities to the State without violating the above Constitutional provision.<sup>10</sup> That ruling was made with reference to a proposal that

“companion legislation would direct that out of the general treasury, as provided in a general appropriation act or otherwise, monies would be paid to the municipalities in lieu of the Class II railroad property taxes presently received under the Railroad Tax Act of 1948.”

As to such legislation, the Attorney General noted that

“the further requirement for taxation at the general tax rate of the taxing district is inapposite. . . . The history of the Constitutional Convention in 1947 fully supports the conclusion that property taxed by the State and for the use of the State was not subject to the terms of the second sentence of Article VIII, Section I, paragraph 1, which fixes the requirement of taxation of property for the use of local taxing districts at a general tax rate.”

It may be concluded, accordingly, that if municipalities are saved harmless by appropriations out of the general treasury, without reference to the specific collections under any railroad property tax law, there would be no requirement of taxation at the general tax rate where the property is situated.

As a policy matter, however, three alternative courses are open for consideration:

<sup>10</sup> Formal opinion 1959—No. 13 rendered by David B. Furman, Attorney General to Hon. Alfred N. Beadleston, under date of July 1, 1959. (See Appendix C, p. 71.)

- A. Abolish railroad property taxation entirely and substitute a gross receipts tax at a rate to yield approximately the same amount as is now being provided by the Class II property tax or such lesser amount as might be desired. This would have the disadvantage of requiring some greater inter-railroad adjustments than the substitution of a flat rate property tax for the present variable rates, but would have the advantage of eliminating railroad property valuation as the bone of contention, which it has been for the past 75 years, and distributing the railroad tax burden among the railroads in accordance with their relative operating revenues within New Jersey.
- B. Exempt all passenger facilities and leave the tax on Class II property to be locally assessed and collected. This would withdraw the State from railroad property taxation entirely, but would leave railroad property vulnerable to increased assessments and to rising local tax rates, which could defeat the whole purpose of tax revision and of the subsidy program as well.
- C. Convert the present Class II property tax to a uniform flat rate State property tax, levied at such a rate as would provide any desired annual tax reduction to the railroads as a group. This would have the advantage of eliminating railroad property from local taxation, of replacing the variable local rates with a uniform flat rate, and of opening the door to further tax reduction if deemed desirable in the future.

The choice between a flat rate property tax and a flat rate gross receipts tax depends primarily on a policy judgment, that is, whether the transition to a new system of State taxation should maintain the past distribution of the burden among railroads as closely as possible, or whether this should be the occasion for a fundamental re-examination of the best way to tax railroads. A quarter of a century ago, Professor H. L. Lutz concluded that the gross receipts tax was by far a better theoretical basis for railroad taxation than the property tax.<sup>11</sup> On the other hand it may still be argued that some direct tax on Class II property would continue the pressure on railroads to sell off unneeded waterfront and terminal property, and that this pressure would not be provided by a gross receipts tax which is unrelated to property ownership. If this were the only objection, it might be possible to introduce some regulatory or punitive sanction, as a substitute for the burden of an ad valorem property tax, which could apply only when a railroad persisted in holding on to unnecessary Class II property. Basically, however, it is to be anticipated that railroads as a group would be least enthusiastic about a change in the method of taxation which would cause an intra-industry redistribution of the tax burden.

Table 14 shows that, after adjustments for the elimination of passenger facility valuations and taxes thereon (see Table 13), a flat rate property

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<sup>11</sup> H. L. Lutz, "The Taxation of Railroads in New Jersey" (1941).

tax at an approximate rate of \$10<sup>12</sup> per \$100 of adjusted assessed valuations of Class II property would be required to replace the adjusted yield of the Class II tax. Probably by coincidence, a flat rate gross receipts tax of approximately 10%<sup>12</sup> on gross operating revenues related solely to freight service allocated to New Jersey would also be required to replace the adjusted yield of the Class II tax (See Table 15).

As shown in Table 15, a 10% gross receipts tax applied to freight revenue allocated to New Jersey would produce a total tax yield of approximately \$12 million from railroads which paid \$14 million in Class II tax in 1964 and will pay \$13.6 million in 1965. It is significant, however, that such a tax would increase the tax payments of the Pennsylvania, Penna-Reading, Jersey Central, Reading and Susquehanna railroads, while it would provide very large decreases for the Erie-Lackawanna, Lehigh Valley and New York Central railroads. The reason for these odd results is shown in Table 16, which reports the tax rates on allocated gross receipts which would be required to replace the actual 1965 Class II taxes of each railroad. In effect, whether it is theoretically sound or not, the present railroad tax burden is so distributed among the railroads that any change in tax base from property to gross receipts is certain to cause a major redistribution of burden among the railroads. In itself, such a redistribution might not be harmful, but when it is accompanied by a substantial tax increase for such a railroad as the Jersey Central, rather than a decrease, the futility of using a gross receipts tax to provide tax relief in the places where it is most needed is plainly apparent.

A uniform state property tax at 10% of the 1965 assessed valuations of Class II property, after elimination of estimated passenger valuations, would provide a moderate reduction in the total 1965 Class II tax from \$13.6 million to \$12 million, and it would provide individual reductions for the Central Railroad of New Jersey and the Erie-Lackawanna as shown in Table 14. This result is of course attributable in part to the elimination of all tax on Class II property used for passenger service, as shown in the same Table.

Passenger facility land, improvements and track should be removed from property taxation because: a) If the railroads continue in the passenger business, exemption of this class of property will ease to some extent the recurring operating deficits in providing this service; and b) if the State must take over the operation of commuter services there would be no point in taxing this type of property since it would only increase operating costs of the State. If a further reduction is desired, this can be accomplished, for example, by reducing the 10% tax to 8%, which, together with the elimination of passenger facilities from Class II ratables, would produce a total tax for all the railroads of \$9.7 million and would reduce the tax payable by approximately a third for such railroads as the Jersey Central, New York Central, Erie-Lackawanna and one-fourth for the Pennsylvania. The Susquehanna and a few of the smaller railroads

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<sup>12</sup> The actual rate in each instance would be \$9.55.

**Table 13**  
**SUMMARY OF CLASS II PASSENGER LAND, TRACK AND STATIONS**  
**1965 ASSESSMENT**

	P.R.R. Co. Group	P.-Reading S. Lines	C.R.R. of N.J. Group	Reading R.R. Co.	Erie-Lack. R.R. Co. Group	N.Y.S. & W.R.R. Co.	Total
<b>Land:</b>							
Acres .....	30.869	10.516	107.709	8.695	98.817	2.179	258.785
True Valuation .....	\$1,168,592.00	\$64,058.00	\$2,153,544.00	\$6,905.00	\$4,062,648.00	\$37,074.00	\$7,492,822.00
Assessed Valuation .....	1,103,189.00	34,018.00	1,982,858.00	3,454.00	4,026,448.00	36,753.00	7,186,720.00
Taxes .....	97,785.85	2,269.55	205,606.80	216.20	431,149.46	973.16	738,001.02
<b>Track:</b>							
Length (Feet) .....	.....	.....	192,172.00	.....	109,390.00	.....	218,562.00
True Valuation .....	.....	.....	192,666.00	.....	244,357.00	.....	437,023.00
Assessed Valuation .....	.....	.....	192,666.00	.....	214,461.00	.....	407,127.00
Taxes .....	.....	.....	21,295.37	.....	21,848.03	.....	43,143.40
<b>Stations:</b>							
True Valuation .....	10,464,178.00	213,337.00	2,728,415.00	115,668.00	4,021,850.00	31,299.00	17,574,747.00
Assessed Valuation .....	9,967,060.00	119,635.00	2,393,859.00	57,835.00	3,916,102.00	30,149.00	16,484,640.00
Taxes .....	670,242.14	7,408.75	219,087.09	3,159.55	340,802.64	1,105.41	1,241,805.58
<b>Total:</b>							
True Valuation .....	11,632,770.00	277,395.00	5,074,625.00	122,574.00	8,328,855.00	68,373.00	25,504,592.00
Assessed Valuation .....	11,070,249.00	153,653.00	4,569,383.00	61,289.00	8,157,011.00	66,902.00	24,078,487.00
Taxes .....	768,027.99	9,678.30	445,959.26	3,375.75	793,800.13	2,078.57	2,022,950.00

Source: Department of the Treasury, Division of Taxation, Public Utility Tax Bureau, May 26, 1965.

Table 14

EFFECT OF FLAT RATE TAXES OF 8% AND 10% APPLIED TO 1965 CLASS II VALUATIONS, LESS 1965 PASSENGER FACILITY VALUATIONS

Railroad	Class II Valuations—1965			Class II Tax—1965			Flat Rate Property Taxes					
	Actual	Less:* Passenger Facility Valuations	Adjusted (1-2)	Actual	Less:* Estimated Tax on Passenger Facilities	Adjusted (4-5)	Increase or (Decrease)					
							8% (8% x 3)	10% (10% x 3)	8% (4-7)	10% (4-8)	Per Cent	
	1	2	3	4	5	6	7	8	9	10	8% (9+4)	10% (10+4)
Penna. ....	\$44,767,846	\$11,070,249	\$33,697,597	\$3,657,519	\$768,028	\$2,889,491	\$2,695,808	\$3,369,760	(\$961,711)	(\$287,759)	(26.29)	(7.87)
P. R. S. L. ....	1,259,750	153,653	1,106,097	98,639	9,678	88,961	88,488	110,610	(10,151)	11,971	(10.29)	12.14
Central of N. J. ....	24,050,643	4,569,383	19,481,260	2,258,824	445,989	1,812,835	1,558,501	1,948,126	(700,323)	(310,698)	(31.00)	(13.75)
Reading ....	1,872,328	61,289	1,811,039	111,868	3,376	108,492	144,883	181,104	33,015	69,236	29.51	61.89
E.-L. ....	42,774,055	8,157,011	34,617,044	4,337,996	793,800	3,544,196	2,769,364	3,461,704	(1,568,632)	(876,292)	(36.16)	(20.20)
N. Y. S. & W. ....	980,553	66,902	913,651	21,101	2,079	19,022	73,092	91,365	51,991	70,264	246.39	332.99
Lehigh Valley ....	11,133,926	.....	11,133,926	1,018,807	.....	1,018,807	890,714	1,113,393	(128,093)	94,586	(12.57)	9.28
N. Y. Central ....	17,722,069	.....	17,722,069	2,042,814	.....	2,042,814	1,417,766	1,772,207	(625,048)	(270,607)	(30.60)	(13.25)
Unclassified												
B. & O. ....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
East Jersey ....	111,504	.....	111,504	10,864	.....	10,864	8,920	11,150	(1,944)	286	(17.89)	2.63
Hoboken Shore ....	276,388	.....	276,388	33,142	.....	33,142	22,111	27,639	(11,031)	(5,503)	(33.28)	(16.60)
Lehigh & Hudson ....	59,003	.....	59,003	1,755	.....	1,755	4,720	5,900	2,965	4,145	168.94	236.18
Lucaston ....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Morristown-Erie ....	58,318	.....	58,318	2,780	.....	2,780	4,665	5,832	1,885	3,052	67.80	109.78
Rahway Valley ....	36,850	.....	36,850	1,724	.....	1,724	2,948	3,685	1,224	1,961	71.00	113.75
Raritan River ....	179,305	.....	179,305	6,809	.....	6,809	14,344	17,931	7,535	11,122	110.66	163.34
Staten Island ....	54,718	.....	54,718	3,879	.....	3,879	4,377	5,472	498	1,593	12.84	41.07
Total Unclassified ...	\$776,086	.....	\$776,086	\$60,954	.....	\$60,954	\$62,087	\$77,609	\$1,132	\$16,656	1.86	27.33
Grand Total .....	\$145,337,256	\$24,078,487	\$121,258,769	\$13,608,522	\$2,022,950	\$11,585,572	\$9,700,703	\$12,125,878	(\$3,907,819)	(\$1,482,644)	(28.72)	(10.90)

\* These are estimated valuation and tax figures.

**Table 15**  
**NEW JERSEY RAILROADS**  
**EFFECT OF FLAT 10% TAX ON ALLOCATED GROSS FREIGHT REVENUE**  
**TAX YEAR 1965**

Railroad	1965 Class II Tax	1964 Allocated Gross Freight Revenue	FLAT 10% TAX		
			On Allocated Gross Freight Revenue	Increase (3-1)	Decrease (3-1)
	1	2	3	4	5
Penna. ....	\$3,657,519	\$43,294,452	\$4,329,445	\$671,926	
P-R-S-L .....	98,639	6,870,382	687,038	588,399	
Central of N.J. ....	2,258,824	27,889,063	2,788,906	530,082	
Reading .....	111,868	4,864,944	486,494	374,626	
E-L .....	4,337,996	25,904,995	2,590,499		1,747,497
N. Y. S & W ....	21,101	2,855,223	285,522	264,421	
Lehigh Valley ..	1,018,807	6,612,556	661,255		357,552
N. Y. Central ..	2,042,814	2,958,523	295,852		1,746,962
<b>Totals .....</b>	<b>\$13,547,568*</b>	<b>\$121,250,138</b>	<b>\$12,125,013</b>	<b>\$2,429,454</b>	<b>\$3,852,011</b>

\* Before elimination of \$2.0 million tax on passenger facilities.

**Table 16**  
**NEW JERSEY RAILROADS**  
**TAX RATE ON ALLOCATED GROSS FREIGHT REVENUE WHICH WOULD BE**  
**NECESSARY TO PRODUCE THE CLASS II TAX—1965**

Railroad*	1965 Class II Tax	1964 Allocated Gross Freight Revenue	Allocated Gross Freight Revenue Tax Rate—%
N. Y. S & W .....	\$21,101	\$2,855,223	0.739
P-R-S-L .....	98,639	6,870,382	1.436
Reading .....	111,868	4,864,944	2.299
Lehigh Valley .....	1,018,807	6,612,556	15.407
N. Y. Central .....	2,042,814	2,958,523	69.048
Central of N. J. ....	2,258,824	27,889,063	8.099
Pennsylvania .....	3,657,519	43,294,452	8.448
E-L .....	4,337,996	25,904,995	16.745
Penna, R. R. & N. Y. Central .....	\$5,700,333	\$46,252,975	12.324%

\* In order of amount of Class II Tax.

would experience tax increases because their property is located principally in areas which at present assess at a rate less than \$8.00 per hundred of assessed value, determined on a full true value basis.

**The Commission recommends—**

**If revaluation of Class II property has been completed and full true values of such property are available at the time of transfer of Class II taxes from local to State use, that a uniform rate of tax—probably between 6 and 7%—be applied to such full true values, exclusive of passenger facility valuations, to yield approximately \$12 million annually for the use of the State.**

**If full true values of Class II property are not available at that time, then a uniform tax rate of 10% be applied to the assessed valuation of Class II property, exclusive of passenger facility valuations, also to yield about \$12**

**million annually for State use, subject of course, to a shift from assessed to full true value figures as soon as they become available, with a downward adjustment in the tax rate to provide the same annual yield.**

*The Operation of the Flat Rate Property Tax*

On an ad-valorem-type-tax approach Table 14 shows the Class II tax liability, road by road, which would result from the application of flat rate taxes of 8% and 10% to the 1965 Class II valuations of the respective roads after the elimination of passenger facility valuations (land, stations, track) and the amount of increase or decrease from the 1965 Class II tax actually assessed. The 8% rate would reduce the actual 1965 Class II tax of \$13,608,522 to \$9,700,703; the 10% rate to \$12,125,878. Percentage-wise for the major railroads, the 8% rate would produce tax reductions ranging from 10% to 36%, while some of the smaller roads would experience tax increases. This wide range in tax results is to be expected since the \$9,700,703 tax is produced by the application of a single tax rate of 8% to Class II valuations while the actual Class II tax for 1965 of \$13,608,522 arises from the application of various local tax rates, ranging from less than \$2 to over \$10 per \$100 of assessed valuation, to various levels of Class II valuation. The 8% rate will produce tax increases where the Class II valuation in 1965 was subjected to local rates under \$8 and tax decreases where the local rates exceeded \$8 per \$100 of assessed valuation.

Actually, notwithstanding the wide range in individual tax results, the application of a flat tax rate of 8% or 10%, on the assessed valuation of Class II property for 1965, depending upon the overall tax reduction deemed desirable, produces fairly equitable results among the railroads. Taking the 8% rate for illustration, Class II taxes would be reduced for the following railroads in the following percentages:

	<i>Percent</i>
Pennsylvania Railroad Co. . . . .	26.29
Central Railroad of New Jersey . . . .	31.00
Erie-Lackawanna Railroad Co. . . . .	36.16
Lehigh Valley Railroad Co. . . . .	12.57
New York Central Railroad Co. . . . .	30.60

It will be observed, with the exception of the New York Central, that those roads providing passenger service, particularly commuter services, receive the greatest benefits.

There is, however, at the moment, a serious obstacle to the equitable application of a flat tax rate to existing Class II assessed valuations. Actual assessments of Class II property for 1965 range all the way from full true value in some municipalities to as little as 11% of such value in other municipalities. While the Division of Taxation has revalued Class II property in several taxing districts, including some of the larger ones, it is not expected that this task will be completed on a statewide basis for several months.

The range of ratios of assessed valuation to full value of Class II property is shown in Table 17.

Two reasons stand out quite clearly why the railroads would not receive uniform tax treatment under a state tax at a flat rate applicable to actual current assessments of Class II property. The first is self-apparent from Table 17. The Director of Taxation certified 100% of so-called "full true value" as the basis of assessment of Class II property in 11 counties. That was the alleged level of assessment of other taxable real property in those counties. In 7 counties he certified Class II assessments at 50% of such "full true value"; in 1 at 40% and in the remaining 2 at 30%. Actually, in Middlesex County, where the declared level of assessment of real property is 50%, Class II assessed valuations were certified at less than 50% of "full true value" in Carteret (11%), Perth Amboy (30%) and Woodbridge (40%). Wholly aside from the question as to whether each municipality within a county is in fact assessing real property at the ratio declared by the county tax board, the fact stands out clearly that the aggregate assessed valuation of Class II property of \$145.3 million in 1965 is a composite of some assessments at 100% of "full true value"; some at 50, 40 and 30% and at least one as low as 11%. Obviously the application of a flat rate tax on a statewide basis to these various levels of assessment would result in grossly inequitable tax treatment among the railroads.

The second reason, not so obvious from the Table, is that the so-called "full true values" listed in the Table for Class II property are in fact not full true values in many, if not most, of the counties and municipalities. The Public Utility Tax Bureau has, over a considerable period of time, been re-examining its inventory of Class II property valuations. However, only in Essex County has Class II land, structures and track been physically examined and revalued and the results published and adopted for the certification of Class II assessed valuations in all municipalities within the county. Revaluation has been completed and adopted for certification purposes in several individual municipalities, not on a countywide basis. Perhaps in most municipalities Class II track has been revalued and the results included in the "full true value" figures, but current land and structure values have not been determined. Another category includes municipalities in which all types of Class II property have been revalued but the figures have neither been published nor used as the basis for certification of Class II assessments. Accordingly, the 1965 "full true value" figure of \$163.9 million for Class II property must be considered in the light of these circumstances.

Because of these variations in the current levels of assessment of Class II property in the various taxing districts and in the determination of the 1965 aggregate assessed valuation of \$145.3 million for such property, it is obvious that the individual railroads cannot be treated equitably by the application of a statewide uniform tax rate to such valuations. Complete revaluation of all Class II property will be necessary and when this has

Table 17

**CLASS II RAILROAD PROPERTY VALUATIONS AND ASSESSMENTS—1965**  
**All Counties and Selected Taxing Districts**

Counties	Municipalities	Class II Railroad Property			Municipal		
		Full True Value(a)	Assessed Value	Assessment Ratio(b)	County Ratio(c)	Assessment Ratio(d)	General Tax Rate(e)
Atlantic		\$1,057,234	\$528,620	50.00%	50.00%	....	....
Atlantic City		886,155	443,078	50.00	....	49.75	\$7.53
Bergen		2,196,845	2,196,845	100.00	100.00	....	....
Edgewater Boro.		599,055	599,055	100.00	....	112.91	2.33
Burlington		124,971	124,971	100.00	100.00	....	....
Burlington City		47,996	47,996	100.00	....	107.00	1.55
Camden		3,823,108	1,914,066	50.00	50.00	....	....
Camden City		3,676,106	1,838,055	50.00	....	49.32	9.00
Cape May		81,481	81,481	100.00	100.00	....	....
Wildwood		27,022	27,022	100.00	....	100.17	2.11
Cumberland		278,996	111,598	40.00	40.00	....	....
Millville		93,169	37,268	40.00	....	40.78	8.47
Essex		25,463,983	25,463,983	100.00	100.00	....	....
Newark		22,870,615	22,870,615	100.00	....	85.41	6.47
East Orange		446,754	446,754	100.00	....	85.55	5.13
Gloucester		132,081	39,627	30.00	30.00	....	....
Woodbury		25,238	7,572	30.00	....	27.31	10.28
Hudson		96,398,966	96,398,966	100.00	100.00	....	....
Jersey City		59,329,684	59,329,684	100.00	....	43.82	11.05
Weehawken		15,153,843	15,153,843	100.00	....	34.00	11.11
Hoboken		9,368,499	9,368,499	100.00	....	56.29	11.99
West New York		6,602,114	6,602,114	100.00	....	38.95	12.84
Kearny		2,725,683	2,725,683	100.00	....	29.97	7.38
Bayonne		1,187,632	1,187,632	100.00	....	39.65	9.74
Hunterdon		96,615	96,615	100.00	100.00	....	....
High Bridge		14,399	14,399	100.00	....	100.56	2.93
Mercer		3,460,050	1,730,032	50.00	50.00	....	....
Trenton		2,662,803	1,331,404	50.00	....	43.81	11.24
West Windsor		322,313	161,157	50.00	....	57.01	3.98
Middlesex		13,881,051	6,276,142	(f)	50.00	....	....
South Amboy		6,012,694	3,006,348	50.00	....	50.00	3.72
Woodbridge		3,799,452	1,519,781	40.00	....	40.00	5.39
Perth Amboy		1,222,645	366,793	30.00	....	24.00	12.09
Carteret		31,648	3,481	11.00	....	11.00	23.62
Monmouth		781,092	781,092	100.00	100.00	....	....
Long Branch		215,222	215,222	100.00	....	100.32	3.54
Red Bank		170,383	170,383	100.00	....	97.36	3.21
Morris		1,146,172	573,099	50.00	50.00	....	....
Roxbury Twp.		402,821	201,412	50.00	....	41.38	6.70
Morristown		182,810	91,406	50.00	....	49.77	6.64
Ocean		548,991	548,991	100.00	100.00	....	....
Bayhead		507,839	507,839	100.00	....	77.42	2.26
Passaic		1,610,866	1,610,866	100.00	100.00	....	....
Paterson		769,480	769,480	100.00	....	92.35	4.34
Passaic		644,409	644,409	100.00	....	94.33	3.69
Clifton		114,938	114,938	100.00	....	99.07	1.98
Salem		61,529	18,460	30.00	30.00	....	....
Salem City		20,329	6,099	30.00	....	33.59	12.59
Pennsgrove		13,726	4,118	30.00	....	32.92	11.16
Somerset		851,969	425,990	50.00	50.00	....	....
Somerville		164,298	82,150	50.00	....	50.69	5.63
Manville		159,518	79,760	50.00	....	45.00	5.13
Bound Brook		151,944	75,972	50.00	....	49.19	6.77
Sussex		57,770	57,770	100.00	100.00	....	....
Newton		35,805	35,805	100.00	....	93.33	3.67
Union		10,866,650	5,433,339	50.00	50.00	....	....
Elizabeth		8,194,038	4,097,022	50.00	....	52.71	6.00
Rahway		689,506	344,753	50.00	....	37.21	8.40
Warren		924,703	924,703	100.00	100.00	....	....
Phillipsburg		797,239	797,239	100.00	....	93.59	3.48
County Totals		\$163,850,123	\$145,337,256	....	....	....	....

- (a) These, in fact, are not "full true value" figures for each municipality. See text for explanation.  
(b) Ratios applied by Director of Taxation to the so-called "full true values" in certifying assessed valuations of Class II property to the respective municipalities.  
(c) Ratios applicable in the respective counties for the assessment of real property as determined either by resolution of the county board of taxation or by operation of law. (54:4-2.27)  
(d) Ratios of assessed to true value of real property as determined by the county boards of taxation.  
(e) General tax rate or adjusted general tax rate, whichever is applicable (c. 141, L. 1964).  
(f) Various ratios ranging from 11% to 50%.

been done then such property should be assessed at its full true value and taxed at a uniform rate deemed necessary to produce the required amount of Class II tax for State use.

A forecast of the potential tax base with equalized full true valuations in all counties is suggested by Table 18, which shows a current full valuation of \$163.9 million as compared with an assessed valuation of \$145.3

**Table 18**  
**DISTRIBUTION OF CLASS II VALUATIONS BY COUNTY, 1965**

County	CLASS II VALUATIONS				
	Full Value(a)	Total % (c)	Assessed Value	Total % (c)	Assessed Value As % of Full Value
Atlantic .....	\$1,057,234	0.64	\$528,620	0.36	50.0
Bergen .....	2,196,845	1.34	2,196,845	1.51	100.0
Burlington .....	124,971	0.07	124,971	0.09	100.0
Camden .....	3,828,108	2.33	1,914,066	1.32	50.0
Cape May .....	81,481	0.04	81,481	0.06	100.0
Cumberland .....	278,996	0.17	111,598	0.08	40.0
Essex .....	25,463,983	15.54	25,463,983	17.52	100.0
Gloucester .....	132,081	0.08	39,627	0.03	30.0
Hudson .....	96,398,966	58.83	96,398,966	66.32	100.0
Hunterdon .....	96,615	0.05	96,615	0.07	100.0
Mercer .....	3,460,050	2.11	1,730,032	1.19	50.0
Middlesex .....	13,881,051	8.47	6,276,142	4.32	<sup>b</sup>
Monmouth .....	781,092	0.47	781,092	0.54	100.0
Morris .....	1,146,172	0.69	573,099	0.39	50.0
Ocean .....	548,991	0.33	548,991	0.37	100.0
Passaic .....	1,610,866	0.98	1,610,866	1.11	100.0
Salem .....	61,529	0.03	18,460	0.01	30.0
Somerset .....	851,969	0.51	425,990	0.29	50.0
Sussex .....	57,770	0.03	57,770	0.04	100.0
Union .....	10,866,650	6.63	5,433,339	3.74	50.0
Warren .....	924,703	0.56	924,703	0.64	100.0
<b>Totals .....</b>	<b>\$163,850,123</b>	<b>100.00</b>	<b>\$145,337,256</b>	<b>100.00</b>	

(a) See text for significance of full true value figures.

(b) One district assessed at 11% of full value; one at 30%; two at 40%; one at 35%; and the remaining districts at 50%.

(c) Class II property in Camden, Essex, Hudson, Mercer, Middlesex and Union counties comprises 93.91% of the total full value and 94.41% of the total assessed value.

million in 1965 for the 21 counties. This result was achieved even though land and structures have not been revalued in most districts—and in many of which there are substantial holdings of Class II property. It is estimated, when revaluation of all Class II property has been completed in all of the taxing districts—and this may well be in time to meet the requirements of implementing legislation necessary to carry out the recommendations of this report—that the full value of such property, including the valuation of land, structures and track in passenger service, will approximate \$215 million. A flat rate property tax somewhere between 6 and 7% on such valuation, exclusive of the valuation of passenger facilities property (estimated at \$25 million), should be sufficient to produce a Class II tax for state use of between \$11.5 and \$12 million.

## PART IV

### STATE PAYMENTS TO SAVE MUNICIPALITIES HARMLESS

Any revision of the Class II property tax which takes it out of the local tax base must recognize the highly concentrated distribution of the yield of the tax among certain counties and municipalities. As shown in Table 19, 94.41% of the assessed valuations of Class II property was concentrated within six counties in 1965, and the municipalities in these six counties will share 97.79% of the total 1965 Class II tax. Twelve selected municipalities will receive over 93% of the total Class II tax in 1965—Jersey City alone taking nearly 50%, as shown in Table 20. In one of the 12, Weehawken, Class II assessed valuations exceed 41% of total 1965 taxable valuations in the municipality (Table 20).

It is apparent that in some municipalities the loss of Class II ratables would pose a serious financial problem, and in many others the loss would be substantial at a time when general property taxes are already deemed excessive.

A shift in the tax on Class II property from local to State use also raises the following collateral problems which must be resolved:

1. *In-lieu Tax Payments.* The need to “save harmless” those municipalities which now rely substantially upon the yield of their local property tax upon Class II railroad property is quite evident. While 414 municipalities will share 1965 Class II taxes (See Appendix E, Table 7), actually the amounts of such taxes in a majority of these municipalities is so small as to make replacement of the revenue loss unnecessary. The ratio of Class II valuations to net valuation taxable and the actual effect on the general tax rate is so slight as not to require save-harmless payments in probably two-thirds of these districts. However, in the other third of the municipalities dependence upon the annual receipt of Class II taxes is so substantial as to clearly require replacement revenue.

2. *County and school tax apportionments.* By removing Class II ratables from the local tax rolls, a substantial shift in the distribution of county and school tax burdens would result (Table 21).

3. *Debt limits.* The removal of Class II ratables would also affect the borrowing power of municipalities, school districts and counties in which such ratables are located, since such borrowing power is governed by a debt-to-equalized-valuation-of-taxable-real-property ratio (Table 21).

4. *State school aid.* The elimination of Class II ratables would increase state aid for schools to the extent that such aid varies among the districts depending upon the equalized valuation of taxable property per pupil located within the district (Table 21).

**Table 19**  
**DISTRIBUTION OF 1965 CLASS II TAXES, BY COUNTIES**  
**AND DISTRICTS—SELECTED**

County and District	Class II Valuations—1965			Class II Taxes—1965		
	Amount	Per Cent County to Total	Per Cent District to County	Amount	Per Cent County to Total	Per Cent District to County
Hudson County .....	\$96,398,966	66.32%	....	\$10,732,419	78.87%	....
Jersey City .....	59,329,684	....	61.54%	6,557,710	....	61.10%
Weehawken .....	15,153,843	....	15.72	1,683,289	....	15.68
Hoboken .....	9,368,499	....	9.72	1,123,377	....	10.47
West New York ...	6,602,114	....	6.85	847,579	....	7.90
Kearny .....	2,725,683	....	2.83	201,101	....	1.87
Bayonne .....	1,187,632	....	1.23	115,711	....	1.08
Other Districts ....	2,031,511	....	2.11	203,652	....	1.90
Essex County .....	25,463,983	17.52	....	1,589,830	11.68	....
Newark .....	22,870,615	....	89.82	1,479,729	....	93.08
Other Districts ....	2,593,368	....	10.18	110,101	....	6.92
Middlesex County ...	6,276,142	4.32	....	315,755	2.32	....
Woodbridge .....	1,519,781	....	24.22	81,916	....	25.94
South Amboy .....	3,006,348	....	47.90	111,836	....	35.42
New Brunswick ...	299,970	....	4.78	17,248	....	5.46
Perth Amboy .....	366,793	....	5.84	44,345	....	14.04
Other Districts ....	1,083,250	....	17.26	60,410	....	19.14
Union County .....	5,433,339	3.74	....	330,774	2.43	....
Elizabeth .....	4,097,022	....	75.41	245,821	....	74.32
Other Districts ....	1,336,317	....	24.59	84,953	....	25.68
Mercer County .....	1,730,032	1.19	....	169,294	1.24	....
Trenton .....	1,331,404	....	76.96	149,650	....	88.40
Other Districts ....	398,628	....	23.04	19,644	....	11.60
Camden County ....	1,914,066	1.32	....	169,940	1.25	....
Camden .....	1,838,055	....	96.03	165,425	....	97.34
Other Districts ....	76,011	....	3.97	4,515	....	2.66
6 Counties .....	\$137,216,528	94.41%	....	\$13,308,012	97.79%	....
15 Counties .....	8,120,728	5.59	....	300,510	2.21	....
21 Counties .....	\$145,337,256	100.00%	....	\$13,608,522	100.00%	....

5. *State general assistance aid.* This program is also related to local valuations taxable, but because of the structure of the reimbursement formula, the elimination of Class II ratables would not affect the amount of current assistance aid (Table 21).

Each of these five collateral problems arises without reference to the purpose to be served by railroad tax relief, but it appears that the feasibility of such relief will depend upon the development of adequate solutions to these problems. The Commission has sought solutions which would contain a built-in adjustment to changing conditions and would produce relatively little disturbance of existing state-local and inter-municipal relationships.

Despite much experimentation the Commission has found that the only solution which would satisfy all criteria other than flexibility would be to "freeze" the railroad Class II valuations into the county abstracts of ratables for those municipalities which will share in the save-harmless payments. The amount to be distributed could then be prorated on the

same basis annually, with adjustments for annual abandonments and additions to the Class II property account. The same solution can be conveniently applied to the other four problems of adjustment, whether or not any Class II taxes are actually assessed and collected at the State level in the future.

**Table 20**  
**ANALYSIS OF CLASS II TAX DISTRIBUTION**  
**12 Municipalities which shared over**  
**90% of Total Class II Taxes—1965**

Selected Taxing District	1965 Adjusted General Tax Rate	Class II				% Class II Valuation to N. V. T.* by District
		Valuation	% of State Total	Tax	% of State Total	
1. Jersey City .....	\$11.053	\$59,329,684	40.82%	\$6,557,710	48.19%	13.65%
2. Newark .....	6.47	22,870,615	15.74	1,479,729	10.87	1.64
3. Weehawken .....	11.108	15,153,843	10.43	1,683,289	12.37	41.51
4. Hoboken .....	11.991	9,368,499	6.45	1,123,377	8.25	11.37
5. West New York .....	12.838	6,602,114	4.54	847,579	6.23	12.18
6. Elizabeth .....	6.00	4,097,022	2.82	245,821	1.81	1.39
7. Trenton .....	11.24	1,331,404	0.92	149,650	1.10	0.77
8. Kearny .....	7.378	2,725,628	1.88	201,101	1.48	2.98
9. Camden .....	9.00	1,838,055	1.26	165,425	1.22	1.04
10. Bayonne .....	9.743	1,187,632	0.82	115,711	0.85	0.92
11. Woodbridge .....	5.39	1,519,781	1.05	81,916	0.60	0.65
12. South Amboy .....	3.72	3,006,348	2.07	111,836	0.82	13.13
Total Selected Municipalities ..		\$129,030,680	88.78%	\$12,763,144	93.79%	
All Other Municipalities .....		16,306,576	11.22	845,378	6.21	
Total, All Municipalities .....		\$145,337,256	100.00	\$13,608,522	100.00	

\* N. V. T. is Net Valuation Taxable.

In 1964 the Class II tax ranged from a high of \$6,974,850 in Jersey City to less than \$1.00 in many municipalities. The ratio of Class II valuations to net valuation taxable was highest in Weehawken at 39.05 percent. There were 5 municipalities, including Weehawken, in which the ratio exceeded 10.0 percent and, as mentioned, the ratio exceeded one-tenth of one percent in 118 municipalities. In the remaining 298 municipalities the ratios ranged from one-tenth of one percent to under one one-thousandth of one percent. The effect in Hudson County of a loss of Class II ratables may be summarized as follows:

Hudson County	General Tax Rate Increases <sup>III</sup>	
	Table 23 <sup>II</sup>	Table 22 <sup>I</sup>
1. Bayonne .....	\$0.188	\$0.078
2. East Newark .....	0.096	IV
3. Guttenberg .....	0.054	IV
4. Harrison .....	0.133	0.078
5. Hoboken .....	1.480	1.544
6. Jersey City .....	1.660	1.728
7. Kearny .....	0.309	0.196
8. North Bergen .....	0.227	0.104
9. Secaucus .....	0.547	0.477
10. Union City .....	0.094	0.004
11. Weehawken .....	4.862	5.438
12. West New York .....	1.572	1.598

<sup>I</sup> Excluding Class II Valuations from both Net Valuation Taxable and Net Valuation on which County Taxes are apportioned.

<sup>II</sup> Excluding Class II Valuations only from Net Valuation Taxable.

<sup>III</sup> General Tax Rate per \$100 of Assessed Valuation.

<sup>IV</sup> No Class II property.

**Table 21**  
**EFFECT OF ELIMINATION OF CLASS II VALUATIONS FROM RATABLES BASE**  
**ON DEBT LIMITS, SCHOOL AID (FORMULA AND BUILDING), APPORTIONMENT OF COUNTY**  
**TAXES AND GENERAL ASSISTANCE AID—12 SELECTED MUNICIPALITIES**

	Jersey City	Newark	Weehawken	Hoboken	W. New York	Elizabeth	Kearny
<b>Debt Limits (1965)</b>							
<b>Municipal (Rate 3.5% E.V.)</b>							
Including Class II .....	\$28,507,364	\$49,195,855	\$2,590,271	\$3,941,708	\$4,207,007	\$16,473,620	\$9,285,270
Excluding Class II .....	26,242,704	48,381,339	2,018,074	3,610,373	3,971,249	16,367,917	9,188,385
Reduction .....	(2,264,660)	(814,516)	(572,197)	(331,335)	(235,758)	(105,703)	(96,885)
<b>School (Rate 4% E.V.)</b>							
Including Class II .....	32,579,844	56,223,834	2,960,310	4,504,808	4,808,008	18,826,994	10,611,736
Excluding Class II .....	29,991,661	55,292,958	2,306,370	4,126,140	4,538,570	18,706,190	10,501,012
Reduction .....	(2,588,183)	(930,876)	(653,940)	(378,668)	(269,438)	(120,804)	(110,724)
<b>County (Rate 2% E.V.)</b>							
Including Class II .....	16,289,922	28,111,917	1,480,155	2,252,404	2,404,004	9,413,497	5,305,868
Excluding Class II .....	14,995,831	27,646,479	1,153,185	2,063,070	2,269,285	9,353,095	5,250,506
Reduction .....	(1,294,091)	(465,438)	(326,970)	(189,334)	(134,719)	(60,402)	(55,362)
<b>State School Aid (1964)</b>							
<b>Formula Aid</b>							
Excluding Class II .....	2,121,065	3,997,883	88,785	802,877	255,951	735,955	258,480
Actual (Including Class II) .....	1,797,181	3,881,993	88,785	755,825	225,750	735,955	258,490
Increase .....	323,884	115,890	(M.A.)	47,052	30,201	(M.A.)	(M.A.)
<b>Building Aid (1964)</b>							
Excluding Class II .....	597,710	1,243,735	22,727	158,790	76,175	183,219	9,399
Actual (Including Class II) .....	565,322	1,232,146	14,560	154,085	72,811	181,705	8,026
Increase .....	32,388	11,589	8,167	4,705	3,364	1,514	1,373
<b>County Tax Apportionment (1964)</b>							
Actual (Including Class II) .....	9,620,855	a	895,545	1,371,463	1,390,330	a	2,533,300
Excluding Class II .....	9,343,915	a	748,488	1,324,453	1,377,265	a	2,643,895
Increase (Decrease) .....	(276,940)	a	(147,057)	(47,010)	(13,065)	a	110,595
<b>General Assistance Aid (1963)</b>							
Including Class II .....	370,380	2,455,651	4,406	308,757	14,343	108,308	10,029
Excluding Class II .....	370,380	2,455,651	4,406	308,757	14,343	108,308	10,029
Increase .....	.....	.....	.....	.....	.....	.....	.....

**Table 21—Continued**  
**EFFECT OF ELIMINATION OF CLASS II VALUATIONS FROM RATABLES BASE**  
**ON DEBT LIMITS, SCHOOL AID (FORMULA AND BUILDING), APPORTIONMENT OF COUNTY**  
**TAXES AND GENERAL ASSISTANCE AID—12 SELECTED MUNICIPALITIES**

	Trenton	Camden	Bayonne	So. Amboy	Woodbridge	State Totals
<b>Debt Limits (1965)</b>						
<b>Municipal (Rate 3.5% E.V.)</b>						
Including Class II .....	\$12,859,243	\$10,478,565	\$11,102,874	\$1,323,831	\$16,912,514	
Excluding Class II .....	12,793,023	10,364,693	11,059,175	1,218,076	16,767,997	
Reduction .....	(66,220)	(113,872)	(43,699)	(105,755)	(144,517)	
<b>School (Rate 4% E.V.)</b>						
Including Class II .....	14,696,278	11,975,503	12,688,999	1,512,950	19,328,586	
Excluding Class II .....	14,620,598	11,845,363	12,639,057	1,392,086	19,163,424	
Reduction .....	(75,680)	(130,140)	(49,942)	(120,864)	(165,162)	
<b>County (Rate 2% E.V.)</b>						
Including Class II .....	7,348,139	5,987,751	6,344,499	756,475	9,664,293	
Excluding Class II .....	7,310,299	5,922,681	6,319,528	696,043	9,581,712	
Reduction .....	(37,840)	(65,070)	(24,971)	(60,432)	(82,581)	
<b>State School Aid (1964)</b>						
<b>Formula Aid</b>						
Excluding Class II .....	1,031,386	1,851,875	451,115	43,810	999,595	
Actual (Including Class II) .....	1,021,928	1,832,982	451,115	43,810	999,595	
Increase .....	9,458	18,893	(M.A.)	(M.A.)	(M.A.)	\$578,014.00 <sup>b</sup>
<b>Building Aid (1964)</b>						
Excluding Class II .....	281,959	395,405	94,718	5,188	319,996	
Actual (Including Class II) .....	281,013	393,516	94,094	4,430	317,934	
Increase .....	946	1,889	624	758	2,062	78,038.00 <sup>b</sup>
<b>County Tax Apportionment (1964)</b>						
Actual (Including Class II) .....	a	a	3,881,668	201,125	2,456,568	
Excluding Class II .....	a	a	4,039,575	172,084	2,448,337	
Increase (Decrease) .....	a	a	157,907	(29,041)	(8,231)	
<b>General Assistance Aid (1963)</b>						
Including Class II .....	337,394	231,107	101,960	6,850	.....	
Excluding Class II .....	337,394	231,107	101,960	6,850	.....	
Increase .....	.....	.....	.....	.....	.....	

M.A. = Minimum Aid District.  
a County taxes not reapportioned in Camden, Essex, Mercer and Union Counties.  
b These 2 figures reflect the effect of elimination of Class II valuations in all districts of the State having Class II property.

**Table 22**  
**EFFECT OF EXCLUDING CLASS II VALUATIONS**  
**FROM NET VALUATION TAXABLE—1964**  
**(WITHOUT IN-LIEU TAX PAYMENTS)<sup>a</sup>**

District	Tax Rate	Assessment Ratio	Class II		Net Valuation Taxable	Ratio: Class II Valuation to N.V.T.	General Tax Rate Increase <sup>b</sup>
			Tax	Valuation			
1. Weehawken .....	\$8.489	34.95%	\$1,389,055	\$16,363,001	\$41,901,733	39.0509%	\$5.438
2. South Amboy .....	11.35	16.17	104,356	919,436	6,750,536	13.6202	1.79
3. Jersey City .....	11.267	45.93	6,974,850	61,905,121	465,377,841	13.3021	1.728
4. W. New York .....	12.313	39.67	809,498	6,574,339	57,244,714	11.4846	1.598
5. Hoboken .....	11.951	60.83	1,123,275	9,399,005	82,139,105	11.4428	1.544
6. Secaucus .....	11.682	16.16	86,310	738,827	18,804,767	3.9289	.477
7. Bay Head .....	2.01	83.16	10,208	507,839	15,030,864	3.3786	.07
8. Kearny .....	6.932	29.34	191,874	2,767,952	100,597,332	2.7515	.196
9. Edgewater Boro. ....	1.86	143.90	29,461	1,583,942	90,734,765	1.7457	.03
10. Elizabeth .....	10.04	30.54	294,029	2,928,576	168,099,826	1.7422	.18
11. West Windsor .....	6.54	26.22	20,817	318,309	18,916,659	1.6827	.11
12. Newark .....	6.60	87.75	1,516,539	22,977,864	1,522,873,964	1.5088	.10
13. So. Brunswick .....	13.47	22.16	34,588	256,775	18,379,474	1.3971	.19
14. Phillipsburg .....	3.42	97.58	27,256	796,948	60,398,248	1.3195	.04
15. Bound Brook .....	16.38	20.33	21,273	129,869	9,879,569	1.3145	.22
16. Roxbury Twp. ....	16.84	16.28	32,205	191,239	14,720,999	1.2991	.23
17. Harrison .....	6.079	62.13	33,863	557,042	44,408,242	1.2544	.078
18. Lambertville .....	12.83	28.00	4,935	38,466	3,386,635	1.1358	.15
19. Rahway .....	11.00	25.99	57,420	521,999	46,425,399	1.1244	.12
20. Montgomery Twp. ....	11.53	17.08	8,227	71,355	6,408,320	1.1135	.13
21. Bernardsville .....	15.41	14.13	13,168	85,448	7,727,973	1.1057	.17
22. Camden .....	9.08	47.37	167,599	1,845,807	177,419,237	1.0404	.10
23. Trenton .....	10.91	43.26	205,317	1,881,911	182,308,561	1.0323	.11
24. Cranford .....	11.94	24.17	41,775	349,875	38,882,775	.8998	.11
25. North Bergen .....	11.434	35.37	84,414	738,269	82,577,519	.8940	.104
26. Hampton .....	17.20	15.95	1,059	6,157	692,252	.8894	.15
27. Woodbridge .....	17.98	11.80	111,142	618,145	70,127,526	.8815	.16
28. Somerville .....	13.71	21.41	18,345	133,804	15,793,104	.8472	.12
29. Bayonne .....	9.423	37.20	112,482	1,193,699	144,513,799	.8260	.078
30. Spotswood .....	7.60	35.40	7,736	101,788	12,615,963	.8068	.07

**Table 22—Continued**  
**EFFECT OF EXCLUDING CLASS II VALUATIONS**  
**FROM NET VALUATION TAXABLE—1964**  
**(WITHOUT IN-LIEU TAX PAYMENTS)<sup>a</sup>**

District	Tax Rate	Assessment Ratio	Class II		Net Valuation Taxable	Ratio: Class II Valuation to N.V.T.	General Tax Rate Increase <sup>b</sup>
			Tax	Valuation			
31. Raritan Boro. ....	\$14.09	19.39%	\$8,371	\$59,408	\$7,392,733	.8036%	\$0.12
32. Manville .....	12.62	18.90	15,075	119,452	15,297,727	.7808	.10
33. New Brunswick .....	8.95	32.18	42,387	473,594	65,544,569	.7226	.06
34. Metuchen .....	16.57	18.36	20,306	122,547	17,143,881	.7148	.12
35. New Hanover Twp. ....	1.32	19.39	38	2,880	468,685	.6145	.01
36. Pennington .....	15.85	19.68	2,554	16,115	2,649,990	.6081	.10
37. High Bridge .....	15.27	18.37	2,199	14,399	2,382,781	.6043	.09
38. Ridgefield Boro. ....	0.79	93.99	4,665	590,558	99,852,378	.5914	.01
39. Chatham Boro. ....	17.72	15.84	12,412	70,047	12,230,807	.5727	.11
40. Perth Amboy .....	11.72	28.73	42,988	366,793	66,463,768	.5519	.06
41. Far Hills .....	9.78	17.96	900	9,206	1,719,931	.5353	.05
42. Newton .....	17.903	18.96	6,410	35,805	6,960,015	.5144	.092
43. Morristown .....	10.94	29.34	15,465	141,366	33,406,066	.4232	.05
44. Summit .....	6.78	36.26	23,463	346,057	83,859,417	.4127	.02
45. Hopewell Boro. ....	5.99	45.40	1,258	20,996	5,269,696	.3984	.02
46. Washington Boro. ....	10.49	27.62	3,287	31,335	8,464,800	.3702	.04
47. Franklin .....	14.344	31.72	1,829	12,754	3,561,974	.3581	.052
48. Bloomsbury .....	12.83	19.30	293	2,283	700,353	.3260	.04
49. So. Plainfield .....	7.08	40.23	10,451	147,606	46,917,851	.3146	.02
50. Plainfield .....	10.58	31.71	25,494	240,967	79,670,217	.3025	.03
51. Ewing Twp. ....	10.77	22.45	14,007	130,057	44,237,392	.2940	.03
52. Orange .....	5.26	87.45	17,684	336,199	114,536,299	.2935	.02
53. Lebanon Boro. ....	10.40	21.98	300	2,883	991,058	.2909	.03
54. Westville .....	9.83	31.12	1,513	15,396	5,347,106	.2879	.03
55. Bethlehem Twp. ....	11.33	19.37	519	4,585	1,602,203	.2862	.03
56. Peapack-Gladstone .....	11.32	19.54	957	8,450	2,981,145	.2834	.03
57. Atlantic City .....	7.19	49.81	33,319	463,403	164,760,048	.2813	.02
58. Mahwah Twp. ....	2.19	88.09	5,416	247,298	91,090,760	.2715	<sup>c</sup>
59. Branchville .....	13.882	17.44	396	2,849	1,073,309	.2654	.036
60. Millville .....	12.43	24.82	6,579	52,930	20,010,055	.2645	.03

**Table 22—Continued**  
**EFFECT OF EXCLUDING CLASS II VALUATIONS**  
**FROM NET VALUATION TAXABLE—1964**  
**(WITHOUT IN-LIEU TAX PAYMENTS)<sup>a</sup>**

District	Tax Rate	Assessment Ratio	Class II		Net Valuation Taxable	Ratio: Class II Valuation to N.V.T.	General Tax Rate Increase <sup>b</sup>
			Tax	Valuation			
61. Netcong .....	\$6.22	41.61%	\$871	\$14,010	\$5,400,135	.2594%	\$0.02
62. Passaic .....	3.74	106.73	24,101	644,409	249,169,659	.2586	.01
63. Denville Twp. ....	5.24	48.95	5,415	103,335	40,779,585	.2534	.01
64. Edison .....	9.37	24.35	22,052	235,344	95,600,787	.2462	.02
65. Franklin Twp. ....	15.20	13.71	659	4,336	1,809,436	.2396	.04
66. Farmingdale .....	3.1422	108.40	375	11,933	5,014,123	.2380	c
67. N. Brunswick Twp. ....	10.38	16.15	6,726	64,793	28,218,564	.2296	.02
68. Sayreville .....	9.96	19.75	9,305	93,426	41,401,631	.2257	.03
69. Hightstown .....	10.51	29.53	1,438	13,680	6,088,730	.2247	.02
70. Red Bank .....	3.0505	96.46	5,198	170,383	76,008,083	.2242	c
71. Dover .....	12.03	27.37	5,567	46,279	20,787,479	.2226	.03
72. So. Orange .....	3.49	101.17	10,074	288,664	131,595,654	.2194	.(3)
73. Union Twp. ....	12.02	17.51	410	3,412	1,557,083	.2191	.02
74. Roselle Park .....	11.56	24.26	4,115	35,595	16,926,152	.2103	.02
75. Madison .....	12.51	23.52	6,370	50,916	25,219,716	.2019	.02
76. Bridgeton .....	8.20	41.06	5,217	63,618	31,910,353	.1994	.02
77. Montclair .....	4.20	91.63	20,334	484,133	243,972,433	.1984	.01
78. White .....	19.17	11.35	598	3,122	1,603,622	.1947	.03
79. Pennsgrove .....	10.88	34.61	1,150	10,572	5,452,272	.1939	.02
80. Madison Twp. ....	16.09	17.35	8,046	50,006	26,011,146	.1922	.03
81. Long Branch .....	3.4219	97.87	7,561	220,955	116,226,255	.1901	c
82. Linden .....	7.42	22.08	17,576	236,869	126,518,601	.1872	.02
83. Kenilworth .....	7.45	27.74	2,950	39,603	21,345,078	.1855	.02
84. Allenhurst .....	2.5033	94.59	431	17,220	9,316,462	.1848	c
85. Harmony Twp. ....	20.12	15.27	617	3,066	1,699,241	.1804	.04
86. Lopatcong .....	2.45	96.98	727	29,683	16,869,933	.1760	.01
87. Readington .....	19.86	13.10	1,998	10,059	5,845,033	.1721	.04
88. Princeton Boro. ....	7.42	27.54	3,123	42,087	24,478,617	.1719	.01
89. Paterson .....	4.02	95.23	33,583	835,407	514,060,257	.1625	.01
90. Garwood .....	10.80	26.34	1,274	11,798	7,468,076	.1580	.02

**Table 22—Continued**  
**EFFECT OF EXCLUDING CLASS II VALUATIONS**  
**FROM NET VALUATION TAXABLE—1964**  
**(WITHOUT IN-LIEU TAX PAYMENTS)<sup>a</sup>**

District	Tax Rate	Assessment Ratio	Class II		Net Valuation Taxable	Ratio: Class II Valuation to N.V.T.	General Tax Rate Increase <sup>b</sup>
			Tax	Valuation			
91. Boonton .....	\$6.10	38.28%	\$2,185	\$35,827	\$22,900,577	.1564%	\$0.01
92. Asbury Park .....	3.5872	100.63	4,785	133,400	87,785,240	.1520	<sup>c</sup>
93. Dunellen .....	2.94	97.45	1,889	64,261	43,157,261	.1489	.01
94. Glassboro .....	11.16	29.33	2,229	19,975	13,526,800	.1477	.02
95. Allamuchy Twp. ....	24.75	8.65	292	1,180	817,305	.1444	.03
96. East Orange .....	4.97	87.51	22,204	446,754	309,798,554	.1442	.01
97. Clinton Twp. ....	16.44	12.14	907	5,519	3,860,772	.1430	.03
98. Lawrence Twp. ....	17.05	17.92	393	2,306	1,633,286	.1412	.02
99. Frenchtown .....	13.42	19.50	246	1,836	1,306,721	.1405	.02
100. Jamesburg .....	7.05	47.29	641	9,087	6,573,487	.1382	.01
101. Irvington .....	3.78	95.73	13,257	350,727	254,126,027	.1380	<sup>c</sup>
102. Bridgewater .....	16.92	11.92	5,703	33,705	26,046,805	.1294	.02
103. Clinton .....	7.24	38.40	311	4,295	3,322,406	.1293	.01
104. Salem .....	12.30	35.87	1,508	12,262	9,557,037	.1283	.01
105. Clayton Boro. ....	12.57	29.04	705	5,611	4,526,736	.1240	.01
106. Bloomfield .....	3.77	93.57	12,767	338,643	276,591,543	.1224	.01
107. Elmer .....	10.41	35.37	208	1,995	1,636,315	.1219	.01
108. Hammonton .....	4.70	49.98	1,554	33,056	27,561,661	.1199	.01
109. Pemberton Twp. ....	10.30	16.30	771	7,484	6,445,639	.1161	.01
110. Glen Gardner .....	17.61	15.44	76	430	377,120	.1140	.02
111. Pleasantville .....	7.62	47.92	2,186	28,683	25,250,168	.1136	.01
112. Blairstown .....	2.67	84.01	375	14,048	12,442,773	.1129	<sup>c</sup>
113. Milford .....	8.96	21.84	359	4,010	3,554,715	.1128	.01
114. Woodbury .....	9.85	27.52	1,750	17,770	16,118,950	.1102	.01
115. Swedesboro .....	9.21	33.49	363	3,945	3,604,420	.1094	.01
116. Carteret .....	21.50	12.12	4,269	19,856	18,310,256	.1084	.02
117. Milltown .....	11.14	12.86	875	7,856	7,574,131	.1037	.01
118. Wenonah .....	12.70	26.64	392	3,084	3,024,934	.1020	.01

<sup>a</sup> Arranged in descending order of next to last column ("Ratio: Class II Valuation to N.V.T.").

<sup>b</sup> General Tax Rate Increases reflect only the effect of elimination of Class II Valuations from the Net Valuation Taxable. The effect of eliminating Class II Valuations from the Net Valuation on which County Taxes are apportioned as well as from the Net Valuation Taxable has been tested only in Hudson County with the following results (see Table 23).

<sup>c</sup> Less than \$0.01 General Tax Rate Increase.

While 416 municipalities received taxes on Class II property in 1964 (414 municipalities in 1965), actually, as shown by Table 22, in only 118 municipalities did Class II property valuations in 1964<sup>12</sup> account for more than one-tenth of one percent (.001) of the net valuation taxable. And in 30 of these municipalities the 1964 Class II tax amounted to less than \$1,000.

**The Commission recommends—**

**To offset the tax revenue loss in those municipalities where Class II property valuations comprise a significant fraction of net valuation taxable, in-lieu tax payments should be made by the State to these municipalities in the year of change (“transition year”) in the amount of the Class II tax assessed for the year immediately preceding (“base year”), subject to adjustment in each succeeding year for additions and withdrawals of Class II property, as more fully discussed below.**

*Adjustments for Additions and Withdrawals of Class II Property*

Essentially, it is proposed that Class II property valuations and Class II taxes in each district which has a substantial share in Class II taxes at the time of transition from local to state taxation be frozen, subject to adjustments in subsequent years for additions and withdrawals of Class II property in the respective districts. For this purpose Class II assessed valuations and general tax rates for the base year would be used. While this approach will not reflect market value changes from year to year in Class II property nor possible adjustments in assessment ratios in the respective taxing districts, it will recognize, at least in a general way, substantive changes in the Class II valuation base and the approximate effect of these changes on the Class II tax subsidy in subsequent years. In making these adjustments for additions and withdrawals year by year:

1. The value which Class II property withdrawn from railroad use had in the base year would be deducted from the Class II valuation for the base year.
2. Additions of Class II property would be valued as of the base year and added to the Class II valuation for that year.
3. The adjusted Class II tax would be determined by applying the general tax rate of the municipality for the base year to the Class II valuation as adjusted for additions and withdrawals of Class II property.
4. The in-lieu tax payments would be in the amounts of the adjusted Class II taxes for the year preceding the year of payment of such in-lieu tax.
5. The Class II valuations for apportionment and school aid purposes would be such valuations as adjusted for the year immediately preceding.

<sup>12</sup> 1964 rather than 1965 local valuation and tax figures have been used because of the dual tax rate requirements of Chapter 141, Laws of 1964 for the tax year 1965.

*Class II Valuations Must be Retained for Debt Limits, County Tax  
and State Aid Apportionment Purposes*

It is necessary, if in-lieu tax payments are to be made by the state to the municipalities to save them harmless from the withdrawal of Class II property from local taxation, that a figure representing Class II valuations be continued as a part of the equalized valuation of those municipalities receiving in-lieu tax payments, for the purpose of apportioning county, regional, consolidated and joint school district costs and state school and state public assistance aid and the determination of municipal, school and county debt limits. Elimination of Class II Valuations from the "net valuation on which county taxes are apportioned" (Column II of the County Abstract of Ratables) and from the equalized valuation for state school aid purposes would result in substantial shifts in the burden of county taxes and regional, consolidated and joint school district taxes apportioned and would substantially increase the amount of state school aid which many municipalities would receive by reducing the equalized valuations of those districts and thereby increasing their equalization aid.

The extent of these shifts so far as the apportionment of 1964 county taxes is concerned is shown by Table 23 covering the municipalities in Hudson County. The shares of Jersey City, Weehawken, Hoboken and West New York in county taxes apportioned would be reduced \$276,940, \$147,057, \$47,010 and \$13,065 respectively, while the shares of the other eight municipalities would be increased.<sup>13</sup> East Newark and Guttenberg, which have no Class II property, would experience increases in their shares of county taxes apportioned by \$4,463 and \$9,454 respectively. While the shifts in county tax burdens are more drastic among the municipalities of Hudson County because of the heavy concentration of Class II valuations in several of those districts, nevertheless, there would also be changes in the apportionment of county taxes in some of the other counties, if Class II valuations were eliminated from the net valuation equalized on which county taxes are apportioned.

Exclusion of Class II valuations from the equalized valuation on which state formula aid and building aid are calculated would, for the year 1964-65, have increased the former by \$578,014 and the latter by \$78,038 (See Table 21). The major portions of these increases would have gone to the following five municipalities:

	<i>Formula Aid</i>	<i>Building Aid</i>	
Newark .....	\$115,890	\$11,589	
Hoboken .....	47,052	4,705	
Jersey City .....	323,884	32,388	
West New York .....	30,201	3,364	
Weehawken .....	(Minimum Aid)	8,167	
	\$517,027	\$60,213	
13 Bayonne .....	\$157,907	Kearny .....	110,595
East Newark .....	4,462	North Bergen .....	101,365
Guttenberg .....	9,454	Secaucus .....	12,663
Harrison .....	24,071	Union City .....	63,552

**Table 23**  
**EFFECT ON GENERAL TAX RATE OF EXCLUSION OF CLASS II VALUATIONS**  
**FROM RATABLES WITHOUT IN-LIEU TAX PAYMENTS BY STATE TO MUNICIPALITIES**  
**HUDSON COUNTY—1964**

Districts	1964 Class II		Net Valuation Taxable		Net Valuation on Which County Taxes Apportioned		Total County Taxes Apportioned
	Valuation	Tax	Actual <sup>a</sup>	Alternative <sup>b</sup>	Actual	Alternative <sup>b</sup>	Actual
1. Bayonne .....	\$1,193,699	\$112,482	\$144,513,799	\$143,320,100	\$347,598,363	\$346,404,664	\$3,794,497
2. East Newark ...	.....	.....	4,605,800	4,605,800	9,043,902	9,043,902	98,726
3. Guttenberg .....	.....	.....	17,303,891	17,303,891	19,160,424	19,160,424	209,161
4. Harrison .....	557,042	33,863	44,408,242	43,851,200	61,659,236	61,102,194	673,092
5. Hoboken .....	9,399,005	1,123,275	82,139,105	72,740,100	122,057,411	112,658,406	1,332,419
6. Jersey City .....	61,905,121	6,974,850	465,377,841	403,472,720	870,147,673	808,242,552	9,498,817
7. Kearny .....	2,767,952	191,874	100,597,332	97,829,380	288,120,398	285,352,446	3,145,217
8. North Bergen ...	738,269	84,414	82,577,519	81,839,250	222,486,485	221,748,216	2,428,735
9. Secaucus .....	738,827	86,310	18,804,767	18,065,940	103,553,543	102,814,716	1,130,424
10. Union City .....	20,879	2,662	70,989,529	70,968,650	129,271,720	129,250,841	1,411,172
11. Weehawken .....	16,363,001	1,389,055	41,901,733	25,538,732	80,333,313	63,970,312	876,945
12. W. New York ...	6,574,339	809,498	57,244,714	50,670,375	125,536,236	118,961,897	1,370,395
Totals .....	\$100,258,134	\$10,808,282	\$1,130,464,272	\$1,030,206,137	\$2,378,968,704	\$2,278,710,569	\$25,969,601
						(Secaucus Rebate R.S. 54:4-5)	821,015
							\$25,148,586

<sup>a</sup> 1964 Hudson County Abstract of Ratables.

<sup>b</sup> Excluding Class II Valuations.

<sup>c</sup> Table 22 does not reflect adjustments in apportionment or County Tax by reason of elimination of Class II valuations from ratables.

**Table 23—Continued**  
**EFFECT ON GENERAL TAX RATE OF EXCLUSION OF CLASS II VALUATIONS**  
**FROM RATABLES WITHOUT IN-LIEU TAX PAYMENTS BY STATE TO MUNICIPALITIES**  
**HUDSON COUNTY—1964**

Districts	Total County Taxes Apportioned		Net County Taxes Apportioned		Municipal Purpose Tax		Total Tax On Which Tax Rate Is Computed
	Alternative <sup>b</sup>	Actual	Alternative <sup>b</sup>	Increase (Decrease)	Actual	Alternative	Actual
1. Bayonne .....	\$3,952,404	\$3,881,668	\$4,039,575	\$157,907	\$5,398,312	\$5,398,312	\$13,616,419
2. East Newark .....	103,189	101,172	105,635	4,463	168,078	168,078	426,636
3. Guttenberg .....	218,616	212,603	222,057	9,454	217,365	217,365	722,840
4. Harrison .....	697,163	694,197	718,268	24,071	844,181	844,181	2,699,550
5. Hoboken .....	1,285,409	1,371,463	1,324,453	(47,010)	5,282,122	5,282,122	9,816,049
6. Jersey City .....	9,221,877	9,620,855	9,343,915	(276,940)	27,656,903	27,656,903	52,430,767
7. Kearny .....	3,255,811	2,533,300	2,643,895	110,595	1,281,658	1,281,658	6,972,971
8. North Bergen .....	2,530,100	2,485,926	2,587,291	101,365	4,050,881	4,050,881	9,441,817
9. Secaucus .....	1,173,094	315,283	327,946	12,663	952,442	952,442	2,196,595
10. Union City .....	1,474,725	1,395,373	458,925	63,552	4,305,983	4,305,983	9,051,057
11. Weehawken .....	729,888	895,545	748,488	(147,057)	1,445,064	1,445,064	3,556,663
12. W. New York .....	1,357,330	1,390,330	377,265	(13,065)	3,155,828	3,155,828	7,048,407
Totals .....	\$25,999,608	\$24,897,714	\$24,897,714	.....	\$54,758,818	\$54,758,818	\$117,979,772
		851,022 (Secaucus Rebate R. S. 54:4-5)					
		\$25,148,586					

a 1964 Hudson County Abstract of Ratables.

b Excluding Class II Valuations.

c Table 22 does not reflect adjustments in apportionment or County Tax by reason of elimination of Class II valuations from ratables.

**Table 23—Continued**  
**EFFECT ON GENERAL TAX RATE OF EXCLUSION OF CLASS II VALUATIONS**  
**FROM RATABLES WITHOUT IN-LIEU TAX PAYMENTS BY STATE TO MUNICIPALITIES**  
**HUDSON COUNTY—1964**

Districts	Total Tax On Which Tax Rate Is Computed		Miscellaneous Revenue Anticipated		General Tax Rate		General Tax Rate Increase	
	Alternative <sup>b</sup>	Increase (Decrease)	Actual	Alternative	Actual	Alternative <sup>b</sup>	This Table	Table 22 <sup>c</sup>
1. Bayonne .....	\$13,774,326	\$157,907	\$1,373,450	\$1,373,450	\$9.423	\$9.611	\$0.188	\$0.078
2. East Newark ...	431,098	4,462	43,412	43,412	9.264	9.360	.096	....
3. Guttenberg .....	732,295	9,455	99,250	99,250	4.178	4.232	.054	....
4. Harrison .....	2,723,621	24,071	1,562,121	1,562,121	6.079	6.212	.133	0.078
5. Hoboken .....	9,769,039	(47,010)	1,022,036	1,022,036	11.951	13.431	1.480	1.544
6. Jersey City .....	52,153,828	(276,939)	11,259,213	11,259,213	11.267	12.927	1.660	1.728
7. Kearny .....	7,083,567	110,596	2,406,612	2,406,612	6.932	7.241	.309	0.196
8. North Bergen ...	9,543,183	101,366	749,292	749,292	11.434	11.661	.227	0.104
9. Secaucus .....	2,209,258	12,663	253,610	253,610	11.682	12.229	.547	0.477
10. Union City .....	9,114,610	63,553	881,004	881,004	12.750	12.844	.094	0.004
11. Weehawken .....	3,409,606	(147,057)	175,868	175,868	8.489	13.351	4.862	5.438
12. W. New York ...	7,035,343	(13,064)	542,030	542,030	12.313	13.885	1.572	1.598
Totals .....	\$117,979,774	.....	\$20,367,897	\$20,367,897	.....	.....	....	....

a 1964 Hudson County Abstract of Ratables.

b Excluding Class II Valuations.

c Table 22 does not reflect adjustments in apportionment of County Tax by reason of elimination of Class II valuations from ratables.

If, without more, Class II ratables were to be shifted from local to state taxation, of course, Class II valuations should be eliminated from local ratables for all purposes, but if the municipalities are to be saved harmless from such a shift by in-lieu tax payments, then Class II Valuations should be deemed a part of equalized valuations for county and school tax apportionment purposes and for state school formula and building aid and debt limit purposes.

With respect to the continuation of Class II property valuations in the equalized valuation of each district for tax apportionment and school aid purposes, it is necessary to resolve one further problem. As previously observed, Class II property has been fully revalued in some of the municipalities and the resulting full true valuations have been used by the Director of Taxation as the basis on which Class II assessed valuations have been certified to those municipalities, and such full true values have been included in equalized valuations for tax apportionment, school and bond limit purposes, while in many other districts, including those with high concentrations of railroad property, the Director's certification of assessed values of Class II property is not based on full true value figures. As a result full true value figures for Class II property have been used for tax apportionment, school aid and debt limit purposes in some municipalities while in others full true value figures have not been used for such purposes. To avoid a serious shift in tax and aid results it is recommended that the valuation of Class II property in each municipality which was actually used in determining the equalized valuation for tax apportionment, school aid and debt limit purposes in the "base year" be continued subject, of course, to adjustments for additions and deductions.

*Possible Effect of Chapter 51, Laws of 1960, as Amended,  
on Future Class II Taxes.*

Chapter 141, Laws of 1964, amending Chapter 51, Laws of 1960 in substance provides that:

1. Machinery and equipment used in business shall be assessed at 65% of the common level at which real property in the taxing district is assessed (inventories at  $\frac{1}{4}$  of such common level).
2. There shall be separate tax rates on real property and business personal property for the tax years 1965 and 1966 where necessary to avoid a shift of the general tax burden from business personal property to real property in those two years.

While Chapter 51, as amended, will not materially change Class II tax liability for the years 1965 and 1966, because of the operation of the dual tax rate provisions in those two years, the question is how this law would affect the amounts of Class II taxes in subsequent years. Because the taxable values of business personal property will be drastically reduced

in many municipalities in which there are large amounts of Class II property,<sup>14</sup> substantial changes in Class II tax liability will occur after the save-harmless provisions for 1965 and 1966 expire.

The extent of the changes in the amounts of Class II taxes for 1965 in the 12 municipalities which have 88.78% of all 1965 Class II valuations and will share 93.79% of all 1965 Class II taxes if the dual tax rate provisions of Chapter 141 were not operative in 1965 is indicated in Table 25. The railroads' total Class II tax liability for 1965 would have increased by \$731,198 in 11 of the 12 selected municipalities. In every district, except Hoboken, where the adjusted tax rate provisions of Chapter 141 were inapplicable, Class II taxes would have been greater—the bulk of the increase occurring in Jersey City (\$443,193) and Newark (\$157,807). The statewide increase would probably have exceeded three-quarters of a million dollars since increases would have occurred also in many of the remaining 400 municipalities sharing in the Class II tax revenue. This, of course, is but one example of the tax consequences if a general shift in property tax burden from business personal property to real property had occurred under Chapter 51, unrestricted by the dual tax rate provisions of Chapter 141.

In conclusion it appears that the freezing of Class II valuations, subject to annual adjustment for additions and abandonments provides the most practical way of meeting the various needs for a measure of county and school tax apportionments, debt limits, state aid which is related to equalized valuations, and, if it ever becomes applicable, general assistance aid. A considerable amount of research and experimentation has been done in an effort to find a more flexible device containing built-in adjustments for future changes in conditions, but this has proved to be impracticable for various technical reasons. Moreover, the use of the frozen valuations of Class II property has the merit that it is simple, readily understood, and continuously available. Finally, the Commission has found it to be equitable and effective.

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<sup>14</sup> See Appendix E Table 5, p. 82.

**Table 24**  
**INCREASES IN CLASS II TAXES IN 12 SELECTED MUNICIPALITIES IN ABSENCE OF DUAL**  
**TAX RATE PROVISIONS OF CHAPTER 141, LAWS OF 1964**

Municipality <sup>a</sup>	Tax Rates — 1965				Class II Tax — 1965		
	1965	General	Adjusted Personalty	Adjusted General	Actual (4 × 1)	Under General Tax Rate (2 × 1)	Increase (6 — 5)
	Class II Valuations						
	1	2	3	4	5	6	7
1. Jersey City .....	\$59,329,684	\$11.80	\$21.551	\$11.053	\$6,557,710	\$7,000,903	\$443,193
2. Newark .....	22,870,615	7.16	13.25	6.47	1,479,729	1,637,536	157,807
3. Weehawken .....	15,153,843	11.312	19.601	11.108	1,683,289	1,714,203	30,914
4. Hoboken .....	9,368,499	11.991	10.562	<sup>b</sup>	1,123,377	1,123,377	.....
5. West New York .....	6,602,114	13.398	22.451	12.838	847,579	884,551	36,972
6. Elizabeth .....	4,097,022	6.20	8.17	6.00	245,821	254,015	8,194
7. Kearny .....	2,725,683	8.147	14.007	7.378	201,101	222,061	20,960
8. Trenton .....	1,331,404	11.85	16.97	11.24	149,650	157,771	8,121
9. Camden .....	1,838,055	9.12	9.68	9.00	165,425	167,631	2,206
10. Bayonne .....	1,187,632	10.963	32.047	9.743	115,711	130,200	14,489
11. South Amboy .....	3,006,348	3.77	5.27	3.72	111,836	113,339	1,503
12. Woodbridge .....	1,519,781	5.84	12.91	5.39	81,916	88,755	6,839
<b>Totals .....</b>	<b>\$129,030,680<sup>c</sup></b>				<b>\$12,763,144</b>	<b>\$13,494,342</b>	<b>\$731,198</b>
<b>State Total .....</b>	<b>\$145,337,256</b>				<b>\$13,608,522</b>		

<sup>a</sup> These municipalities receive 93.79% of all 1965 Class II taxes.

<sup>b</sup> This municipality did not apply an Adjusted General Tax Rate because General Tax Rate exceeded Adjusted Personalty Tax Rate.

<sup>c</sup> These municipalities had 88.78% of all 1965 Class II valuations.



APPENDICES

APPENDIX A

THE RAILROAD TAX PROBLEM — 1964  
(Classes I and III property taxes)  
*An Interim Report*

TRENTON  
May, 1964



## LETTER OF TRANSMITTAL

May 18, 1964.

*His Excellency Governor Richard J. Hughes and the  
Honorable Members of the Senate and General Assembly:*

The Commission on State Tax Policy was directed by Joint Resolution 7, Laws of 1963, to continue its investigation of railroad taxation and to present recommendations to the Legislature, "including the extent to which a reduction in railroad taxes may be warranted by the economic status of the railroads operating within New Jersey."

This is an interim report of the Commission's work on the railroad tax problem. The Commission is continuing its studies of railroad taxation, with particular reference to the proposals of the Commission's Tenth Report. Pending the conclusion of these studies, it has become clear that some immediate action to relieve the railroad industry of its heavy tax burden in New Jersey is both necessary and desirable, if we are to have adequate public transportation in this state.

The report which follows proposes legislation to be enacted by the 1964 Legislature, to take effect January 1, 1965, which will reduce the aggregate railroad tax payment in the calendar year 1965 by approximately \$2.5 million. State revenues during the fiscal year 1965-1966 would be affected by the amount of this reduction in tax payments, but there would be no effect on the state budget for fiscal 1964-1965.

The Commission plans to issue a full report on railroad taxation before the end of the year, which will cover the details of its recommendations on the entire subject. Meanwhile, the interim proposals which follow are recommended for immediate consideration and, we trust, favorable action.

Respectfully submitted,

Commission on State Tax Policy  
WAYNE DUMONT, JR., *Chairman*  
JAMES KERNEY, JR., *Vice-Chairman*  
DAVID BECK  
C. MALCOLM DAVIS  
NORMAN TANZMAN\*  
JOHN E. TOOLAN  
THOMAS GLYNN WALKER

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\* Mr. Tanzman concurs in the proposal for railroad tax relief, subject to the need to find other state revenues to offset the loss to the Treasury.



# The Railroad Tax Problem—1964 (Classes I and III Property Taxes)

## AN INTERIM REPORT

### BACKGROUND

Railroad taxation has been a matter of controversy in New Jersey for almost 100 years. It was deeply involved in the Constitutional Convention of 1947,<sup>1</sup> and more recently has been related to the state program of railroad subsidies. In its earliest form, the controversy revolved around contentions that the railroads were not paying enough; and most recently, that they are paying too much. A detailed history of railroad taxation appears in the *Third Report* of the Commission on State Tax Policy (1948), and it is sufficient for present purposes to emphasize the sequence of events which have led up to the present situation.

1873—Chapter 450 introduced the principle of classification of railroad property into main stem—not exceeding 100 feet in width, real estate outside main stem, and rolling stock and equipment. The same law introduced the principle of local sharing of the railroad tax through a uniform levy (on cost) on the real estate outside main stem.

1884—Chapter 101 conformed the railroad tax law to the requirements of the Constitutional Amendment of 1875 requiring real property to be taxed according to its true value. The four classes of property which are used today were established in the 1884 law, which also established the principle of taxation of Class II property at the local rate (but not in excess of 1% of true value). In 1888, the 1884 law was revised and clarified without change in principle, and for the next 20 years, a growing controversy that railroads were not paying enough in tax continued to occupy public attention.

1897—The state withdrew from the tax on Class II property, and the municipalities were given the entire yield of the 1½% tax on true value of Class II property.

1905—Complaints about railroads not bearing their fair share of the property tax burden resulted in an increase of the rate on Class II property to the local general property tax rate, and an increase of the rate on Class I property to the average state rate.

1941—The Railroad Tax Act of 1941 represented a turning point in tax policy, in that for the first time since 1873, reduction (rather than increase) of the railroad tax

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<sup>1</sup> See Commission on State Tax Policy, *Third Report* (1948).

burden became an accepted principle. As part of a program to resolve a huge railroad tax delinquency which had accumulated over the depression years, the 1941 act provided for the taxation of all classes of railroad property at the flat rate of \$3.00 per hundred upon true value, and introduced a railroad franchise tax measured by earnings; with the proceeds of the property tax being shared as in the past and the franchise tax being shared equally by the state and municipalities.

1948—Following the requirement of the 1947 Constitution that all real property taxed for local use must be taxed according to the same standard of value and at the local tax rate, Class II property was again returned to taxation at the local rate, and the rate on Classes I and III was reduced to a flat \$1.20 per hundred of true value, while the principle of a franchise tax on earnings was retained. The Commission estimated at that time that the new railroad tax structure would provide a total of \$16 million, with \$4 million for state purposes, and \$12 million to the municipalities. In the course of enactment of the 1948 act, the legislature added limitations on the total amount of tax payable by any railroad at \$3,000 per mile of track for the smaller railroads and \$4,500 per mile of track for the larger ones, other than Class II tax.

1963—The *Tenth Report* of the Commission (pp. 111-117) recommended an abandonment of the principle of state-local sharing of the railroad tax “as a first step toward a rational solution of the railroad tax problem . . .”

### *The Present System of Taxation*

At present railroads are taxed in New Jersey under the 1941 Railroad Tax Act, as amended by the 1948 Act. The current statutes, as in 1884, provide for the taxation of railroad property according to three different classes. These classes of property and the manner in which they are taxed are as follows:

Class I—This is designated as the “main stem” or the roadbed of the railroad not exceeding 100 feet in width, including all structures and appurtenances other than passenger or freight buildings erected within the 100 foot width. This class of property is taxed for the use of the state at the rate of \$1.20 per \$100 of assessed valuation.

Class II—This includes all other real estate used for railroad purposes, including roadbed outside of main stem, yards, waterfront property, etc. This class of property is taxed for local use at the general tax rate of the municipality in which it is located.

Class III—This class includes all of the tangible personal property of the railroad, including particularly locomo-

tives, freight cars, passenger cars, shop equipment, etc. This property is taxed for state use at the rate of \$1.20 per \$100 of assessed valuation.

In addition to the property taxes, the railroads are subject to a state franchise tax at the rate of ten percent of the net railway operating income of the railroad allocated to New Jersey in proportion to the number of track miles of all track over which the railroad operates within the state to the total miles of all track over which it operates.

The present law also contains a ceiling on the total amount of franchise and property taxes which may be payable by any railroad at not exceeding \$3,000 per mile of track in New Jersey for railroads having not more than \$1 million of railway operating revenues in the state and \$4,500 per mile of track in New Jersey for other railroads. The law provides that these ceilings shall apply so as to reduce the taxes payable in the following order:

First, the tax upon Class III property; then the tax upon Class I property; and lastly the franchise tax; but the ceilings are not permitted to reduce the tax payable to the municipalities on Class II property.

#### *Comparative Burden: New Jersey and Other States*

The per track mile tax in New Jersey is said to be the heaviest in the nation. The railroads claim it is more than three times the national average. (Transcript of Public Hearing, March 6, 1964, pp. 115, 187) Speaking of the burden of the tax, Highway Commissioner Palmer puts it this way: "New Jersey is the highest taxer in the country." While there may be disagreement as to the precise per track mile tax burden, state by state, for comparative purposes, there seems to be little room for doubt of New Jersey's number one ranking.

In fact, it would be surprising if this were not so when it is observed that the per capita property tax burden in general in New Jersey is the highest in the country and that railroads, because of the nature of their operations, must own large acreages of land, much of it in very expensive urban areas, and numerous costly structures for the transportation of passengers and freight. Also contributing to this result is the fact that track mileage in New Jersey is relatively low in comparison with mileage in most other states, particularly those in the central and western parts of the country. When railroad taxes are compared according to other measures, such as traffic units and Interstate Commerce Commission valuations, within and without the state, the New Jersey tax burden still appears to be proportionately much greater than the burden in other states.

Sixteen years ago, the Commission in its *Third Report* on the Taxation of New Jersey Railroads said (p. 24): "that the economic condition of

the railroads as a group, or at least those railroads which serve New Jersey, and the comparative tax burden imposed in other states, would normally warrant a reduction in the railroad tax imposed in this state . . ." but concluded that it could not recommend a reduction at that time since all other property owners were being required to increase their contributions to the support of local government.

#### *Comparative Burden: Railroads and Other Property*

Farmers and railroads are in similar tax positions. Each must operate large and valuable real property holdings with limited yield potentials. Perhaps the railroads are even in a more difficult position than farmers since much of their land and structures is in urban areas where both values and taxes are very high and, further, they are strictly regulated utilities.

The farmers by Constitutional amendment, adopted by the voters in November, 1963, have succeeded in obtaining a special classification of land in agricultural and horticultural use for general tax purposes. The railroads seek relief by legislation under the existing tax clause of the 1947 Constitution.

The 1941 act, as already noted, provided substantial tax reductions for the railroads, but the 1947 Constitution required a substantial increase in the tax on second class property, thereby greatly increasing the railroad taxes payable in New Jersey. The Convention accordingly adopted a resolution recommending legislation to avoid an increase in the total railroad tax burden. The Railroad Tax Act of 1948, accordingly, reduced the tax on Class I and Class III property so as to offset the increase in Class II property taxes caused by the adoption of the new Constitution. The specific means used to this end was to provide for the taxation of Classes I and III at the flat rate of \$1.20 per \$100 of assessed valuation rather than at the flat rate of \$3.00 per \$100 of assessed valuation established under the 1941 law, and as compared with the general tax rate applicable to other property.

Two factors make this tax concession very important dollar-wise to the railroads. In 1963, the average rate of taxation in the state for property tax purposes was \$6.14 per \$100 of assessed valuation of real and personal property and the general tax rates of many of the districts in which these classes of railroad properties are located are \$10 per \$100, or higher, so that the statutory rate of \$1.20 is only a fraction of the rate applicable to other ratables. The operation of the tax ceilings further reduces the tax payable on Classes I and III property.

The aggregate assessed valuation of Classes I and III properties (taxable at \$1.20 per hundred) is nearly twice the assessed valuation of Class II property (taxable at local tax rates). The former comprises almost two-thirds of the total assessed valuation of Classes I, II and III properties. For 1963, the actual assessments were:

	<i>Valuations</i>	<i>% of Total</i>	<i>Total Tax<sup>1</sup></i>	<i>% of Total</i>
Classes I and III .....	\$279.6 millions	64.93%	\$3,355,685	18.61%
Class II .....	151.0 millions	35.07	14,675,535	81.39
	<hr/>	<hr/>	<hr/>	<hr/>
	\$430.6	100.0 %	\$18,031,220	100.0 %

<sup>1</sup> Without giving effect to the tax ceilings. Actually the effective Classes I and III taxes in 1963, after offsets under the tax ceilings, totalled \$2,358,745, or only 13.84% of total effective Classes I, II and III taxes.

The effective franchise tax, based upon allocated net railway operating income, has been relatively nominal for the past several years (1963—\$165,818; 1962—\$129,856; 1961—\$107,445).

### *The Case for Relief*

In view of these substantial tax concessions presently provided for the railroads, what are the urgencies upon which demands for further tax relief are based? On an over-all basis, the railroads operating in New Jersey point to very heavy system deficits for most of the roads for many years (Transcript,\* p. 183) and particularly to the staggering deficits in passenger service operations in New Jersey (Trans., p. 178). Attention is directed also to serious impairment of the working capital of the roads (Trans., p. 184) and the extent to which track (Trans., pp. 114-115, 185) and Class II lands (Trans., pp. 10, 115, 186) have been removed from the tax base in an effort to ease the tax burden.

Mr. Shoemaker of the Central Railroad of New Jersey says that: (Trans., p. 2)

“The railroads of New Jersey have three basic problems:

1. Passenger losses;
2. The loss of profitable freight traffic to highway and waterway competition; and
3. The drain of excessive taxation.”

Heavy losses over a long period from the transportation of passengers, especially commuters, are said to contribute largely to the overall operating deficits of most of the roads. Mr. Shoemaker points out that the Central Railroad over the past ten years has had freight earnings in excess of \$60 million, but that passenger service losses for the same period totalled \$67 million (Trans., p. 5). The railroads have for a long time claimed that heavy commuter service losses cannot continue indefinitely to be met out of freight operations income.

Moves by some of the railroads for permission to either drastically curtail or completely abandon commuter services have raised a serious highway transportation problem for the state. The State Highway Department is of the view that existing highways, particularly in the metro-

\* Transcript of testimony before the Commission at a public hearing on March 6, 1964.

politan areas, could not possibly cope with the morning and evening peak traffic loads which would be created by a shift of commuters from trains to buses and private automobiles. Aside from the fact that it would take a long time to provide adequate highway facilities to handle such a shift, it was pointed out that the cost of providing such facilities would be staggering, that municipalities in the metropolitan areas would suffer heavy ratables losses and that the movement of people over highways, especially at peak traffic periods, can never be accomplished as efficiently and economically as by mass transportation by rail.

It was under these circumstances that the Legislature enacted Chapter 66, Laws of 1960, known as the Railroad Passenger Service Act, which became effective on June 22, 1960. This act authorizes the State Highway Commissioner to contract with the railroads for the continuation and improvement of essential commuter and suburban services. Approximately \$23 million has been paid to those railroads providing commuter services within the state over the four fiscal years 1961 through 1964 and an additional \$5 million is in reserve to provide capital improvements for the benefit of commuter services (Trans., p. 177).

Governor Hughes has included another \$6 million in his Budget Message for fiscal year 1964-65 for continuance of this program with consideration being given to the possibility of adding another \$2.5 million to this figure to provide for a greater sharing by the State in these commuter service losses of the railroads. Notwithstanding these state payments for commuter services over this four-year period, it is claimed that the railroads for the same period incurred deficits for commuter operations totalling \$76.6 million (Trans., p. 178). The railroads say that greater state sharing in these losses must be provided if these services are to be continued.

The railroads providing commuter services also point to the fact that for 1963, when their contract earnings from the state approximated \$6 million, they paid Classes I, II, III and franchise taxes totalling \$13.7 million (Trans., p. 180).

The railroads emphasize that they are closely regulated utilities, although, unfortunately, not protected utilities; that they are not free to abandon unprofitable operations and concentrate on profitable ones or shift their operations from highly expensive to cheaper lands; that they are in competition with trucks, buses, boats and planes, each of which is subsidized by public funds to a large extent; and that their continued operation of both passenger and freight services is vital to the economic welfare of New Jersey.

They have prepared a program of minimum financial assistance necessary to keep them operating as follows:

	<i>Annual Cost to State</i> <i>(millions)</i>
1. Classes I and III taxes must be eliminated . . . .	\$2.4
2. Class II taxes must be reduced by at least 50% . . .	7.3
3. Passenger contract payments must be tripled . . .	12.5
	\$22.2

In support of the claim that Class I taxes should be eliminated the railroads point to the fact that trucks and buses, their direct competitors, operate over highways supported by public funds, and that they should not be compelled not only to provide their own rights of way, but as well pay property taxes thereon annually (Trans., p. 12). Class III valuations, they say, cover a very substantial quantity of personal property which is used in passenger and commuter service, a very heavy deficit operation, and that they should not be required to pay taxes on this type of property while the state, at the same time, is providing subsidies to the railroads to keep commuter services functioning.

As to the proposed reduction in Class II taxes, the railroads claim that the present level of taxation is excessive; that the Class II tax is the principal contributor to the fact that New Jersey imposes the highest per track mile tax in the country; that railroad operations cannot possibly produce the earnings necessary to justify the values at which such property is assessed for tax purposes; and that a reduction in this tax by 50% is necessary to bring New Jersey's property tax on railroads more in line with railroad taxes in other states.

In brief, this Commission finds that the current rail transportation situation is marked by these conditions:

1. Continuing large deficits from passenger operations have been incurred by all the railroads;
2. Repeated efforts have been made by the railroads to reduce their deficits, including a reduction of passenger service responsibilities;
3. An established state policy of subsidizing rail transportation of passengers tends to be undermined by a contrary state policy of excessive taxation of railroads providing such transportation service;
4. An excessive tax burden on railroads is inequitable as compared with taxes on competitors in this state and on transportation facilities generally in other states;
5. There is a major need for a continued rail transport, especially for passengers, in order to prevent the overloading of our highways in various parts of the state;
6. There is an immediate need for recognition of the equities in favor of the railroads, so that the state will do whatever it

can to prevent further deterioration of the financial condition of the railroads pending complete action on the railroad tax problem.

Accordingly, the Commission concludes that simple equity justifies substantial tax relief to the railroads, and that the public interest in mass transportation dictates a priority for the correction of the inequity in railroad taxation.

#### *An Interim Proposal*

In its *Tenth Report*, the Commission suggested as a first step toward a rational approach to the railroad tax problem, that railroad taxes on all three classes of property be assessed for state use, in place of the present sharing of the railroad tax between state and local governments. This would shift the Class II tax from local to state use, and the Commission also suggested in its previous report that the state provide replacement revenues for the municipalities to save them harmless from any loss of revenue as a result of the change. The next step would then be for a reappraisal of railroad tax policy, freed of its municipal entanglements. Pending such a shift of the Class II tax—which will be the subject of the Commission's full report to be issued in December 1964—Classes I and III taxes can be considered separately since they are already assessed for state use.

A workable program must begin with the present tax payments, deficits, subsidy payments and Classes I and III taxes. These are shown in the table on the following page.

The Commission has considered the advisability of relating tax relief to passenger service facilities.<sup>1</sup> This alternative presents the difficulty of an invasion of Class II property tax which, because of its size and complexities, the Commission has deferred for a full report. On the other hand, to limit the tax relief to railroad cars used for the transportation of passengers under subsidy contracts, would provide negligible tax relief. For example, in 1963, all of the passenger-carrying railroads in New Jersey paid a grand total of \$332,723 in Class III tax on passenger equipment and locomotives, without giving effect to the ceiling, and they paid only \$265,991 after giving effect to the ceiling. Moreover, since the Erie-Lackawanna Railroad pays no tax on Class I and Class III property due to the operation of the ceiling, it would provide a logical and equalizing solution to extend this exemption of Class I and Class III property to the other railroads. Accordingly—

**The Commission recommends that the tax relief be directed primarily to the correction of the inequity in the taxation of Class I and Class III property rather than to any measure of railroad passenger service or the deficits incurred in such service.**

<sup>1</sup> See New Jersey State Highway Department, Division of Railroad Transportation, "The Railroad Program and Recommendations for Legislative Action" (April 1964), page 40 and Exhibit 9.

NEW JERSEY STATE HIGHWAY DEPARTMENT  
 DIVISION OF RAILROAD TRANSPORTATION  
 NEW JERSEY RAILROADS WITH PASSENGER SERVICES  
 PASSENGER DEFICITS, 1963 TAX LIABILITY AND CONTRACT EARNINGS FOR THE YEAR 1962

Carriers	Passenger Deficits	Taxes Retained by State <sup>a</sup>	Taxes Returned to Municipalities	Total Taxes for Local and State Uses	Contract Earnings	Estimated Passenger Facility Taxes Classes I, II, III and Franchise
PRR .....	\$8,768,000	\$1,175,792.50	\$4,162,042.06	\$5,337,834.56	\$1,816,727	\$750,000
P-RSL .....	2,509,802	135,478.31	110,314.27	245,792.58	200,980	120,000
CRR .....	6,027,893	590,660.55	2,507,682.01	3,098,342.56	1,404,324	800,000
Reading Co. ....	354,509	141,808.51	176,963.50	318,772.01	17,262	5,000
E-LRR .....	3,808,459	4,000.00	4,548,026.25	4,552,026.25	2,408,728	1,200,000
NJ & NYRR .....	152,417	8,021.20	7,492.44	15,513.64	101,102	5,000
NYS & WRR .....		60,288.83	65,553.11	125,841.94	b	60,000
<b>Total—</b>						
Passenger Railroads..	\$21,621,080	\$2,116,049.90	\$11,578,073.64	\$13,694,123.54	\$5,949,123	\$2,940,000

<sup>a</sup> Class I, III and the Franchise Tax.

<sup>b</sup> Not under contract in 1962.

*Operation of the Proposal*

In 1963, the assessments and taxes on Classes I and III properties were as follows. (See Division of Taxation, Summary of Property and Franchise Taxes, 1963, dated May 14, 1963.)

	1963 <i>Assessment</i>	<i>Tax</i> ( <i>\$1.20 Rate</i> )
Class I real property (main stem) .....	\$191,219,858	\$2,294,638
Class III personal property (rolling stock, etc.) .....	88,420,596	1,061,047
Totals .....	\$279,640,454	\$3,355,685
Less: Cancellations under the track mile maximums .....	\$83,078,410	996,941
Net Classes I and III assessment and taxes payable .....	\$196,562,044	\$2,358,744

The railroads which benefited in 1963 from the operation of the tax per track mile ceiling, in the amount of \$996,941 shown above, were as follows:

	<i>Valuation and Tax Cancellations—1963</i> <i>Assessed</i> <i>Valuations</i>	<i>Tax</i>
Erie-Lackawanna .....	\$68,113,321	\$816,360
New York Central .....	14,381,094	172,573
East Jersey .....	141,616	1,699
Hoboken Shore .....	442,379	5,309
	\$83,078,410	\$996,941

Thus 30% of the Classes I and III valuations and taxes were cancelled, with the result that these four railroads paid no tax in New Jersey on their main stems or their personal property. It will be noted that the Erie-Lackawanna received 82% of this cancellation benefit.

Class I (main stem) property valuations amount to more than twice as much in valuation and tax as Class III. The 1963 assessed valuation of Class I property was \$191,219,858 and the tentative tax at the \$1.20 rate was \$2,294,638. After cancellations of valuations and taxes under the track mile tax maximums, these totals were reduced to \$137,569,885 and \$1,650,839 respectively. These cancellations comprised 28 per cent of the total Class I tax.

Thus, \$53.6 million of assessments on main stem property and improvements was eliminated from the Class I tax base in 1963 which involved a Class I tax abatement of \$643,799—88 per cent of which benefited the Erie-Lackawanna Railroad. If all main stem real property and improvements are removed from the Class I tax base, the further

**CLASS I VALUATIONS AND TAXES**

**1963**

	<i>Assessed Valuations</i>	<i>Tax</i>
Class I totals .....	\$191,219,858	\$2,294,638
Less: Cancellations under track mile maximums:		
Erie-Lackawanna .....	\$47,681,683	
N. Y. Central .....	5,459,141	
East Jersey .....	101,852	
Hoboken Shore .....	407,297	643,799
	<hr/>	<hr/>
Net Class I totals .....	\$137,569,885	\$1,650,839

reduction in state tax revenue from this source would amount to \$1,650,839. The railroads would share in this tax concession as follows:

	<i>Tax Reduction</i>	<i>Per cent of Total Reduction</i>
Pennsylvania .....	\$746,857.84	45.2%
Penn-Reading .....	94,054.26	5.7
Central .....	386,824.87	23.4
Reading .....	78,648.64	4.7
N. J. & N. Y. ....	3,148.27	0.3
N. Y. S. & W. ....	49,351.93	3.0
Lehigh Valley .....	239,106.26	14.5
Unclassified Railroads .....	52,846.55	3.2
	<hr/>	<hr/>
	\$1,650,838.62	100.0%

Perhaps the best case can be made for the elimination of Class III property from the railroad tax base. The administration of personal property taxes, generally, never has been very successful in this state, and this is largely true of the assessment of railroad personal property. Only part-time presence in the state of much of the rolling stock, which requires apportionment of valuations, adds a further complication to the administration of the tax on railroad personalty.

It should be noted, however, that there is a considerable difference in tax dollar results as to personal property taxes under the railroad tax law and personal property taxes under the general property tax laws. Personal property not in railroad use is taxed at the general property tax rate of the district where located—the same as real property—while railroad personal property is taxed at the flat rate of \$1.20 per \$100 of assessed valuation, which, of course, is only a small fraction of the general tax rate. Rolling stock of competitive transportation facilities, however, is not taxed at all as property.

For 1963, Class III tentative valuations were fixed at \$88,420,596 and the tentative tax thereon at \$1,061,047. However, under the track mile tax maximum provisions, the tentative valuations were reduced by \$29,428,437 and the tentative tax by \$353,141, leaving net Class III valuations of \$58,992,159 and tax of \$707,906.

**CLASS III VALUATIONS AND TAXES**

**1963**

	<i>Assessed Valuations</i>	<i>Tax</i>
Class III totals .....	\$88,420,596	\$1,061,047
Less: Cancellations under track mile maximums:		
	<i>Valuations</i>	
Erie-Lackawanna .....	\$20,431,638	
N. Y. Central .....	8,921,953	
East Jersey .....	39,764	
Hoboken Shore .....	35,082	
	<hr/>	<hr/>
	29,428,437	353,141
Net Class III totals .....	\$58,992,159	\$707,906

Thus, one-third of the total Class III tax was cancelled—69 per cent of the reduction going to the Erie-Lackawanna.

On the basis of 1963 valuations of \$58,992,159 on Class III property, after allowance for cancellation of assessments against the Erie-Lackawanna, N. Y. Central, East Jersey and Hoboken Shore Railroads, the elimination of this classification of property from the railroad tax base would cost the state \$707,906 in tax revenue. The railroads would share in this reduction in the following proportions:

	<i>Tax Reduction</i>	<i>Per cent of Total Reduction</i>
Pennsylvania .....	\$327,913.76	46.3%
Penn-Reading .....	37,424.05	5.3
Central .....	199,835.68	28.2
Reading .....	59,159.87	8.3
N. Y. S. & W. ....	6,936.90	1.0
Lehigh Valley .....	50,429.14	7.2
N. J. & N. Y. ....	872.93	0.1
Unclassified Railroads .....	25,333.58	3.6
	<hr/>	<hr/>
	\$707,905.91	100.0%

The aggregate tax revenue loss to the state on the basis of 1963 assessment figures would be \$2,358,745 if Classes I and III are removed from taxation. It is probable that this figure would not vary greatly from year to year under the present railroad tax act.

The franchise tax for 1963 totalled \$165,819. This tax is based solely on net railway operating income. After Class I and Class III property taxes were completely eliminated, the franchise tax could be permitted to operate without the ceiling on tax per track mile, since it would be paid only in a profitable year.

*Impact Upon the State Treasury*

The joint resolution requested a report on the extent of tax reduction which might be warranted by the economic status of the railroads. It might be possible to satisfy this mandate without suggesting the source

from which the state could make up the revenue lost as a result of the recommended tax reduction. In fact, under the proposal, there would be no revenue loss in the fiscal year ending June 30, 1965, since the timetable for railroad tax payments in the calendar year 1965 would cause the first reduction to be felt in the state fiscal year 1965-1966. Nevertheless, the Commission has been conscious of the continuing fiscal needs of the state.

In its *Tenth Report*, the Commission proposed a solution which would encompass all of the present and reasonably foreseeable revenue needs of the state government. The proposed reduction in railroad tax revenues could readily be replaced within such a general solution of the state's tax problem. Perhaps there may be other ways of offsetting the revenue loss resulting from the current recommendation. A new broad based tax remains as the basic necessity to deal with the state's fiscal responsibilities.

**APPENDIX B**

**Chapter J R 7, Laws of 1963**

A JOINT RESOLUTION directing the completion of a study concerning taxation and to report thereon to the Governor and to the Legislature.

WHEREAS, The Commission on State Tax Policy has undertaken a re-examination of the subject of railroad taxation as a part of its comprehensive re-examination of the entire State and local tax structure, pursuant to Joint Resolution No. 5 of 1962; and

WHEREAS, The commission in its Tenth Report has recommended a change in tax policy to provide that all railroad taxes be assessed and collected by the State for the use of the State, with replacement revenue provided in lieu of Class II taxes now payable to municipalities; and

WHEREAS, The commission stated that this recommended change in tax policy raises some adjustment problems which it could not, because of lack of time, resolve in that report; now, therefore,

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

1. The Commission on State Tax Policy is hereby directed to complete its study of the railroad tax problem within the framework of the recommendations contained in its Tenth Report and to make final recommendations thereon, including the extent to which a reduction in railroad taxes may be warranted by the economic status of the railroads operating within New Jersey.

2. The commission and their representatives shall consult with and shall be entitled to call to their assistance and avail themselves of the services and facilities of such State and local government agencies as may be appropriate and which may reasonably be made available to aid in the study hereby directed.

3. The commission shall report specially to the Governor and the Legislature, on the results and recommendations resulting from the study hereby directed, on or before December 1, 1963.

4. This joint resolution shall take effect immediately.

**APPENDIX C**  
**Attorney General Formal Opinions**  
**1959—No. 13**

July 1, 1959

Honorable Alfred N. Beadleston  
12 Broad Street  
Red Bank, New Jersey

FORMAL OPINION 1959—No. 13

Dear Assemblyman:

You have requested my opinion as to the constitutionality of proposed legislation which would revise the statutory system for the taxation of property owned by railroads.

The plan envisions that the Railroad Tax Law of 1948 be amended to afford railroads tax relief, while saving municipalities harmless from any loss of revenues. The distinctions between Class I and II railroad property would be eliminated. All real property owned by railroads would be subject to taxation by the State and for the use of the State. A single tax rate would be fixed by statute or by a state official such as the Director of the Division of Taxation acting pursuant to legislative delegation. The assessment of former Class I and II railroad property would continue to be in accordance with true value or other uniform standard. Companion legislation would direct that out of the general treasury, as provided in a general appropriation act or otherwise, monies would be paid to the municipalities in lieu of the Class II railroad property taxes presently received under the Railroad Tax Act of 1948.

My conclusion is that properly drawn legislation would not violate any provision of the Federal or State Constitution. Two constitutional issues might be drawn in litigation attacking the proposed amendments and supplements to the Railroad Tax Law of 1948: (1) Validity under the equal protection provisions of both constitutions; and (2) validity under Article VIII, Section I, paragraph 1 of the State Constitution, which provides:

“1. Property shall be assessed for taxation under general laws and by uniform rules. All real property assessed and taxed locally or by the State for allotment and payment to taxing districts shall be assessed according to the same standard of value; and such real property shall be taxed at the general tax rate of the taxing district in which the property is situated, for the use of such taxing district.”

I. Validity under the equal protection provisions of both Federal and State Constitutions.

The right of the legislature to classify property for taxation is established beyond dispute. The legislature may enact statutes dealing

separately with the railroads including tax legislation. Such legislation has been upheld since *State Board of Assessors v. Central Railroad Co.*, 48 N. J. L. 146 (E. & A. 1886). Another settled principle is that the legislature may exempt or treat separately classes of property so long as there is reasonable classification without discrimination against other classes of property. The Supreme Court in *General Electric Co. v. Passaic*, 28 N. J. 499 (1958) confirmed these basic principles.

*City of Jersey City v. State Board of Tax Appeals*, 133 N. J. L. 202 (Sup. Ct. 1945) is a square judicial holding supporting the taxation of railroad property at a lower rate than other property subject to a tax for the use of municipalities. Between 1941 and 1948 (P. L. 1941, c. 291) the railroads were charged a fixed rate of \$3.00 per hundred dollars assessed valuation in lieu of local rates on all Class II property. The City of Jersey City attacked this legislation claiming among other things that the railroad property was not assessed "under general laws and by uniform rules, according to the true value," a mandate of Article IV, section VII, paragraph 12 of the 1844 Constitution, and that railroads were called upon to assume a lesser tax burden for their property than other owners.

The former Supreme Court reviewing the long recognized precedents concluded that property used for railroad purposes can be separately classified, with the burden unequal and subject to taxation at different rates. The Court of Errors and Appeals affirmed this holding in 134 N. J. L. 239 (E. & A. 1945) but modified the judgment as it pertained to the operation of the statute with relation to the amount of taxes due in the year 1941. At 133 N. J. L. 204, 205 Justice Perskie's opinion stated:

"From the very beginning property used for railroad purposes has occupied and continues to occupy a separate classification, from all other property, in the field of taxation. The particular or special use to which railroad property has been and continues to be put is the basis which supports both its separate classification and the legislative power to impose a separate tax to be paid on property so classified and used. When, as here, the separate classification is proper and embraces all property in that classification, a law which taxes the property so classified may provide what tax the railroad companies, owners of the separately classified property, shall pay, and in what way it should be assessed provided that the assessment of their property is made 'under general laws and by uniform rules, according to the true value.' (Article IV, section VII, paragraph 12, state constitution). That has been and is the settled law of this state."

In *State v. State Board of Tax Appeals*, 134 N. J. L. 34 (Sup. Ct. 1946), aff'd per curiam, 135 N. J. L. 481, 482 (E. & A. 1947), the theory in *City of Jersey City v. State Board of Tax Appeals* was reaffirmed, the Supreme Court announcing that it is a firmly established principle of law "that it is the particular or special use to which the railroad property is in fact put which has supported and continues to support its legally

avored and separate classification, and which further supports the legislative power to impose a separate and different tax thereon so long as the classification is proper and embraces all property in that classification.” 134 N. J. L. at 42.

Other New Jersey cases approving of legislation selecting railroads for special tax treatment include *Bergen & Dundee Railroad Co. v. State Board*, 74 N. J. L. 742 (E. & A. 1907) and *Central Railroad Co. v. State Board*, 75 N. J. L. 772 (E. & A. 1907). A compelling statement in support of the validity of tax legislation setting up a separate classification for railroad companies is found in *Florida Central and Peninsular R. R. Co. v. Reynolds*, 183 U. S. 471 (1902):

“In the light of these decisions, if the state of Florida had deemed it for the best interests of its people to encourage the building of railroads by exempting their property from taxation, such exemption could not have been adjudged in conflict with the 14th Amendment, even though thereby the burden of taxation upon other property in the state was largely increased. Indeed that was the policy of the state prior to the Constitution of 1868. And, conversely, if the state had subjected railroads to taxation, while exempting some other class of property, it would be difficult to find anything in the 14th Amendment to overthrow its action. The mere fact that such legislation may operate with harshness is not of itself sufficient to justify the court in declaring it unconstitutional. These matters of classification are of state policy, to be determined by the state; and the Federal government is not charged with the duty of supervising its action.” 183 U. S. at 480.

## II. Validity under Article VIII, Section I, paragraph 1 of the State Constitution.

Article VIII, Section I, paragraph 1 of the State Constitution requires tax assessments of all property under general laws and by uniform rules. This requirement would be met under the proposed legislation for the assessment of former Class II railroad property at true value or other uniform standard. Nor would there be any infringement of the mandate that property be assessed under general laws because of the recognized authorities cited supra that taxing statutes dealing separately with railroad property are general within that classification, in the constitutional sense. The further requirement for taxation at the general tax rate of the taxing district is inapposite. This provision is limited to property “assessed and taxed locally or by the state for allotment and payment to taxing districts.”

The history of the Constitutional Convention in 1947 fully supports the conclusion that property taxed by the state and for the use of the state was not subject to the terms of the second sentence of Article VIII, Section I, paragraph 1, which fixes the requirement of taxation of property for the use of local taxing districts at a general tax rate. There were several principal proposals concerning taxation of real estate.

The Committee on Taxation and Finance originally provided that “property shall be assessed for taxes under general laws and by uniform rules, according to its true value.” See II *Proceedings of the Constitutional Convention of 1947*, 1237 (hereinafter referred to as “Proceedings”). This sentence merely would have carried forward the provision in Article IV, Section 7, par. 12 of the Constitution of 1844, which provision was added in 1875. There were several proposals to amend it. Frank Hague Eggers offered an amendment to the committee proposal which would have provided:

“Property shall be assessed for taxation under general laws and by uniform rules, according to its true value. Real property now defined by law as Class II railroad and canal property shall be assessed for taxes as hereinabove provided and shall be taxed at the local tax rate of each municipality wherein such property is located, and the proceeds thereof shall be paid to each such municipality.”

Amendment No. 16 to the committee proposal was introduced by William T. Reed and was ultimately adopted on the floor of the convention as the present Article VIII, Section I, par. 1. II *Proceedings*, 1245; I *Proceedings*, 785. In addition, a proposal was introduced by Clyde W. Struble which would have provided:

“Property shall be assessed according to classification and standards of value to be established by law.”

Milton B. Conford before the Committee on Taxation and Finance offered a proposal which would have provided:

“Property shall be assessed for taxes under general laws and by uniform rules, according to its true value. The burden of direct taxation upon all real property not exempted shall be equal.”

Frank Murray, who spoke against the adoption of the Reed amendment, emphasized that the compromise amendment merely fixed one standard of value and one rate insofar as the real property was being assessed “by the State for allotment and payment to the tax district.” I *Proceedings*, 780. It is evident that the delegates consciously avoided freezing Class II railroad property as a source of municipal tax revenues exclusively.

Similarly, rejection of the Conford proposal that the burden of direct taxation upon all real property not exempted should be equal indicates an intent to permit classification so long as the tax is not being assessed and levied for local purposes and is further strong confirmation of the sanction for taxation of railroad property at special rates, provided that such taxation is not imposed by the State for allotment and payment to municipalities.

Very truly yours,

David D. Furman  
Attorney General

DDF:gd

**APPENDIX D**

**Appearances before the Commission on State Tax Policy  
Public Hearing, March 6, 1964**

	<i>Location of Testimony In Transcript of Hearing</i>
Perry M. Shoemaker, President, Central Railroad Company of New Jersey .....	2
Vincent P. Biunno, N. Y., Susquehanna & Western Railroad .....	31
Arthur E. Smith, Old Tappan, New Jersey .....	59
Thomas T. Taber, Chairman, Board of Public Transportation of Morris County .....	67
Leo Rosenblum, Special Tax Counsel, Jersey City, N. J. ....	82
Charles F. Krause, Jr., Mayor, Township of Wee- hawken, N. J. ....	95
Herbert Fine, Tax Counsel, Hoboken, N. J. ....	101
Augustus Nasmith, Vice-Chairman & General Counsel, Associated Railroads of New Jersey ....	107, 183
Dwight R. G. Palmer, State Highway Commissioner	129

**APPENDIX E**

**Table 1**

**SUMMARY  
PROPERTY AND FRANCHISE TAXES LEVIED AND EFFECTIVE TAX RATES  
ASSESSMENT YEAR 1965**

Road	Valuations				Taxes		
	Class I	Class III	Total Classes I & III	Class II	Total Classes I, III & II	Total Classes I & III	Franchise Tax
Penna. R.R. Co. System .....	\$59,982,838	\$30,589,650	\$90,572,488	\$44,751,235	\$135,323,723	\$1,086,869.86	\$203,154.50
Penna. & Atl. R.R. Co. ....	239,782	.....	239,782	8,552	248,334	2,877.38	100.00
Union Transp. Co. ....	110,612	750	111,362	8,059	119,421	1,336.34	573.00
Total, P.R.R. Co. Group .....	60,333,232	30,590,400	90,923,632	44,767,846	135,691,478	1,091,083.58	203,828.00
Penna.-Reading Seashore Lines .....	7,843,225	2,692,676	10,535,901	1,259,750	11,795,651	126,430.81	4,000.00
C.R.R. Co. of N.J. System .....	31,865,119	14,213,628	46,078,747	24,050,643	70,129,390	552,944.97	4,000.00
Reading Company System .....	6,487,118	4,393,882	10,881,000	1,872,328	12,753,328	130,572.00	4,000.00
Erie-Lack. R.R. Co. System .....	47,085,089	17,692,331	64,777,420	42,613,241	107,390,661	.....	4,000.00
N.J. & N.Y. R.R. Co. ....	266,236	63,558	329,794	160,814	490,608	3,957.53	4,000.00
Total, Erie-Lack. R.R. Co. Group .....	47,351,325	17,755,889	65,107,214	42,774,055	107,881,269	3,957.53	8,000.00
N.Y.S. & W. R.R. Co. System .....	3,831,964	877,117	4,709,081	980,553	5,689,634	56,508.97	4,000.00
L.V. R.R. Co. System .....	18,505,315	3,454,110	21,959,425	11,133,926	33,093,351	263,513.10	4,000.00
N.Y.C. R.R. Co. System .....	5,407,906	8,356,924	13,764,830	17,722,069	31,486,899	.....	4,000.00
<b>Unclassified Railroads</b>							
Balt. & Ohio R.R. Co. System .....	.....	1,122,815	1,122,815	.....	1,122,815	13,473.78	100.00
East Jersey R.R. & T. Co. ....	101,852	29,910	131,762	111,504	243,266	1,581.14	100.00
Hoboken Shore R.R., incl.							
H.R.R.W. & S.C. Co. ....	407,297	30,154	437,451	276,388	713,839	.....	100.00
Lehigh & Hud. River Ry. Co. ....	2,329,525	309,264	2,638,789	59,003	2,697,792	31,665.47	16,991.80
Lucaston R.R. Co. ....	12,046	.....	12,046	.....	12,046	144.55	100.00
Morristown & Erie R.R. Co. ....	221,278	67,816	289,094	58,318	347,412	3,469.13	100.00
R.V. Co. Lessee, incl. R.V.							
Line and R.V. R.R. Co. ....	230,616	68,639	299,255	36,850	336,105	3,591.06	3,326.70
Raritan River R.R. Co. ....	506,381	345,557	851,938	179,305	1,031,243	10,223.25	10,460.50
Staten Island Rapid T. Ry. Co. ....	1,127,207	39,222	1,166,429	54,718	1,221,147	13,997.14	100.00
Total, Uncl'd. R.R.'s. ....	4,936,202	2,013,377	6,949,579	776,086	7,725,665	78,145.52	31,379.00
<b>Grand Total</b> .....	<b>\$186,561,406</b>	<b>\$84,348,003</b>	<b>\$270,909,409</b>	<b>\$145,337,256</b>	<b>\$416,246,665</b>	<b>\$2,303,156.48</b>	<b>\$267,207.00</b>

**APPENDIX E—Continued**

Road	Taxes			Effective Tax Rates				
	Total Taxes for State Uses	Taxes for Local Uses Class II	Total Taxes for State and Local Uses	Classes I & III	Franchise Tax	Total Taxes for State Uses	Total Taxes for Local Uses	Total Taxes for State and Local Uses
Penna. R.R. Co. System .....	\$1,290,024.36	\$3,657,170.74	\$4,947,195.10	\$1.20	\$0.224	\$1.424	\$8.172	\$3.656
Penna. & Atl. R.R. Co. ....	2,977.38	201.00	3,178.38	1.20	0.042	1.242	2.350	1.280
Union Transp. Co. ....	1,909.84	147.63	2,057.47	1.20	0.515	1.715	1.832	1.723
Total, P.R.R. Co. Group .....	1,294,911.58	3,657,519.37	4,952,430.95	1.20	0.224	1.424	8.170	3.650
Penna.-Reading Seashore Lines .....	130,430.81	98,638.93	229,069.74	1.20	0.038	1.238	7.830	1.942
C.R.R. Co. of N.J. System .....	556,944.97	2,258,824.17	2,815,769.14	1.20	0.009	1.209	9.392	4.015
Reading Company System .....	134,572.00	111,868.06	246,440.06	1.20	0.037	1.237	5.975	1.932
Erie-Lack. R.R. Co. System .....	4,000.00	4,334,397.44	4,338,397.44	....	0.006	0.006	10.171	4.040
N.J. & N.Y. R.R. Co. ....	7,957.53	3,598.13	11,555.66	1.20	1.213	2.413	2.237	2.355
Total, Erie-Lack. R.R. Co. Group ....	11,957.53	4,337,995.57	4,349,953.10	0.006	0.012	0.018	10.142	4.032
N.Y.S. & W. R.R. Co. System .....	60,508.97	21,101.29	81,610.26	1.20	0.085	1.285	2.152	1.434
L.V. R.R. Co. System .....	267,513.10	1,018,807.32	1,286,320.42	1.20	0.018	1.218	9.150	3.887
N.Y.C. R.R. Co. System .....	4,000.00	2,042,813.86	2,046,813.86	....	0.029	0.029	11.527	6.501
<b>Unclassified Railroads</b>								
Balt. & Ohio R.R. Co. System .....	13,573.78	.....	13,573.78	1.20	0.009	1.209	.....	1.209
East Jersey R.R. & T. Co. ....	1,681.14	10,863.83	12,544.97	1.20	0.076	1.276	9.743	5.157
Hoboken Shore R.R., incl. H.R.R.W. & S.C. Co. ....	100.00	33,141.68	33,241.68	....	0.023	0.023	11.991	4.657
Lehigh & Hud. River Ry. Co. ....	48,657.27	1,755.35	50,412.62	1.20	0.644	1.844	2.975	1.869
Lucaston R.R. Co. ....	244.55	.....	244.55	1.20	0.830	2.030	.....	2.030
Morristown & Erie R.R. Co. ....	3,569.13	2,779.90	6,349.03	1.20	0.035	1.235	4.767	1.828
R.V. Co. Lessee, incl. R.V. Line and R.V. R.R. Co. ....	6,917.76	1,724.40	8,642.16	1.20	1.112	2.312	4.680	2.571
Raritan River R.R. Co. ....	20,683.75	6,809.46	27,493.21	1.20	1.228	2.428	3.798	2.666
Staton Island Rapid T. Ry. Co. ....	14,097.14	3,879.21	17,976.35	1.20	0.009	1.209	7.089	1.472
Total, Uncl'd. R.R.'s. ....	109,524.52	60,953.83	170,478.35	1.124	0.452	1.576	7.854	2.207
<b>Grand Total</b> .....	<b>\$2,570,363.48</b>	<b>\$13,608,522.40</b>	<b>\$16,178,885.88</b>	<b>\$0.850</b>	<b>\$0.099</b>	<b>\$0.949</b>	<b>\$9.363</b>	<b>\$3.887</b>

**Table 2**  
**EFFECT OF ELIMINATION OF CLASS II VALUATIONS FROM RATABLES BASE AND**  
**INCLUSION OF CLASS II TAX, AS A SUBSIDY, IN MUNICIPAL**  
**MISCELLANEOUS REVENUE ANTICIPATED—HUDSON COUNTY, 1964**

Districts	Net Valuation Taxable		General Tax Rate		Net Valuation on Which County Taxes Apportioned		Total County Taxes Apportioned		Net County Taxes Apportioned
	Actual*	Alternative	Actual	Alternative	Actual	Alternative	Actual	Alternative	Actual
Bayonne .....	\$144,513,799	\$143,320,100	\$9.423	\$9.532	\$347,598,363	\$346,404,664	\$3,794,497	\$3,952,404	\$3,881,668
East Newark .....	4,605,800	4,605,800	9.264	9.359	9,043,902	9,043,902	98,726	103,189	101,172
Guttenberg .....	17,303,891	17,303,891	4.178	4.232	19,160,424	19,160,424	209,161	218,616	212,603
Harrison .....	44,408,242	43,851,200	6.079	6.134	61,659,236	61,102,194	673,092	697,163	694,197
Hoboken .....	82,139,105	72,740,100	11.951	11.886	122,057,411	112,658,406	1,332,419	1,285,409	1,371,463
Jersey City .....	465,377,841	403,472,720	11.267	11.197	870,147,673	808,242,552	9,498,817	9,221,877	9,620,855
Kearny .....	100,597,332	97,829,380	6.932	7.045	288,120,398	285,352,446	3,145,217	3,255,811	2,533,300
North Bergen .....	82,577,519	81,839,250	11.434	11.558	222,486,485	221,748,216	2,428,735	2,530,100	2,485,926
Secaucus .....	18,804,767	18,065,940	11.682	11.751	103,553,543	102,814,716	1,130,424	1,173,094	315,283
Union City .....	70,989,529	70,968,650	12.750	12.839	129,271,720	129,250,841	1,411,172	1,474,725	1,395,373
Weehawken .....	41,901,733	25,538,732	8.489	7.912	80,333,313	63,970,312	876,945	729,888	895,545
West New York .....	57,244,714	50,670,375	12.313	12.287	125,536,236	118,961,897	1,370,395	1,357,330	1,390,330
<b>Totals .....</b>	<b>\$1,130,464,272</b>	<b>\$1,030,206,137</b>	<b>....</b>	<b>....</b>	<b>\$2,378,968,704</b>	<b>\$2,278,710,569</b>	<b>\$25,969,601</b>	<b>\$25,999,608</b>	<b>\$24,897,714</b>
							<b>821,015</b>	<b>851,022</b>	<b>(Secaucus Rebate R. S. 54:4-5)</b>
							<b>\$25,148,586</b>	<b>\$25,148,856</b>	

Table 2—Continued

EFFECT OF ELIMINATION OF CLASS II VALUATIONS FROM RATABLES BASE AND  
INCLUSION OF CLASS II TAX, AS A SUBSIDY, IN MUNICIPAL  
MISCELLANEOUS REVENUE ANTICIPATED—HUDSON COUNTY, 1964

Districts	Net County Taxes Apportioned		Municipal Purpose Tax		Total Tax on Which Tax Rate is Computed		Incr. (Decr.)	Miscellaneous Revenue Anticipated		
	Alternative	Incr. (Decr.)	Actual	Alternative	Actual	Alternative		Actual	Alternative	
Bayonne .....	\$4,039,575	\$157,907	\$5,398,312	\$5,285,830	\$13,616,419	\$13,661,844	\$45,425	\$1,373,450	\$1,485,932	
East Newark .....	105,635	4,463	168,078	168,078	426,636	431,099	4,463	43,412	43,412	(No Class II Property)
Guttenberg .....	222,057	9,454	217,365	217,365	722,840	732,295	9,455	99,250	99,250	(No Class II Property)
Harrison .....	718,268	24,071	844,181	810,318	2,699,550	2,689,759	(9,791)	1,562,121	1,595,983	
Hoboken .....	1,324,453	(47,010)	5,282,122	4,158,847	9,816,049	8,645,764	(1,170,285)	1,022,036	2,145,311	
Jersey City .....	9,343,915	(276,940)	27,656,903	20,682,053	52,430,767	45,178,978	(7,251,789)	11,259,213	18,234,063	
Kearny .....	2,643,895	110,595	1,281,658	1,089,783	6,972,971	6,891,691	(81,280)	2,406,612	2,598,487	
North Bergen .....	2,587,291	101,365	4,050,881	3,966,467	9,441,817	9,458,769	16,952	749,292	833,705	
Secaucus .....	327,946	12,663	952,442	866,132	2,196,595	2,122,948	(73,647)	253,610	399,920	
Union City .....	1,458,925	63,552	4,305,983	4,303,322	9,051,057	9,111,947	60,890	881,004	833,666	
Weehawken .....	748,488	(147,057)	1,445,064	56,009	3,556,663	2,020,551	(1,536,112)	175,868	1,564,923	
West New York .....	1,377,265	(13,065)	3,155,828	2,346,329	7,048,407	6,225,845	(822,562)	542,030	1,351,529	
Totals .....	\$24,897,714		\$54,758,818	\$43,950,534	\$117,979,772	\$107,171,489	(\$10,828,281)	\$20,367,897	\$31,176,181	

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\* From 1964 Hudson County Abstract of Ratables.  
Hudson County Class II Valuations: \$100,258,134  
Hudson County Class II Taxes: 10,808,283

**APPENDIX E**

**Table 3**

**EFFECT OF ELIMINATION OF CLASS II VALUATIONS  
ON STATE PUBLIC ASSISTANCE AID—1963**

	1962 Ratables, Incl. Cl. II R. R. Prop.	Less Cl. II R. R. Prop.	1962 Ratables, Excl. Cl. II R. R. Prop.	1963			1962 Public Assistance Load	Millage Inc. Cl. II	Millage Excl. Cl. II	Ranges of Millages <sup>4</sup>
				% State Aid	% w/o R. R. Prop.	State Aid Earned				
Jersey City .....	\$464,220,054	\$67,431,749	\$396,788,305	45%	45%	\$370,380	\$882,879	1.9	2.2	1.6-2.4
Newark .....	735,916,959	11,829,859	724,087,100	60	60	2,455,651	3,406,283	4.6	4.7	4.0- <sup>1</sup>
Weehawken Twp. ....	37,648,924	16,349,392	21,299,532	40	40	4,406	17,431	0.4	0.8	0-1.6 <sup>2</sup>
West New York .....	56,288,376	6,906,501	49,381,875	40	40	14,343	44,725	0.8	0.9	0-1.6 <sup>2</sup>
Elizabeth .....	160,501,927	3,104,827	157,397,100	40	40	108,308	208,766	1.3	1.3	0-1.6 <sup>2</sup>
Kearny Town .....	94,820,074	2,789,669	92,030,405	40	40	10,029	20,607	0.2	0.2	0-1.6 <sup>2</sup>
Trenton .....	186,500,595	1,902,570	184,598,025	52	52	337,394	526,147	2.8	2.8	2.8-3.2
Camden .....	170,120,124	2,290,235	167,829,889	50	50	231,107	410,105	2.4	2.4	2.4-2.8
Bayonne .....	136,158,550	1,303,320	134,855,230	40	40	101,960	193,170	1.4	1.4	0-1.6 <sup>2</sup>
South Amboy .....	6,520,327	1,519,552	5,000,775	45	45	6,850	11,558	1.7	2.3	1.6-2.4
Hoboken .....	80,993,463	9,590,663	71,402,800	60	60	308,757	349,715	4.3	4.8	4.0- <sup>1</sup>
Woodbridge <sup>3</sup> .....	60,627,934	621,279	60,006,655	....	....	.....	.....	....	....	....

<sup>1</sup> 60% State Aid when millage is in excess of 4 mills.

<sup>2</sup> 40% State Aid when millage is not more than 1.6 mills.

<sup>3</sup> Special formula—Municipality contributes 1.0 mill of its preceding year's ratables, state contributes balance of assistance expenditures (44:8-134).

<sup>4</sup> The percentage of State Aid is based on following millage ranges: Under 1.6 mills, 40%; 1.6 to 2.4 mills, 45%; 2.4 to 2.8 mills, 50%; 2.8 to 3.2 mills, 52%; 3.2 to 3.4 mills, 54%; 3.4 to 3.6 mills, 56%; 3.6 to 4.0 mills, 58%; over 4.0 mills, 60% (44:8-129).

**APPENDIX E**

**Table 4**

**EFFECT ON AMOUNT OF STATE SCHOOL FORMULA AID OF ELIMINATING  
CLASS II VALUATIONS FROM EQUALIZED VALUATION BUT TREATING CLASS II  
TAX REVENUE AS SHARED TAXES—1964-1965**

	<i>1964-65 Formula Aid</i>	<i>Decrease in Formula Aid</i>
Camden .....	\$1,832,982	\$20,782
Newark .....	3,881,993	220,191
Bayonne .....	451,115 <sup>M</sup>	.....
Hoboken .....	755,825	236,789
Jersey City .....	1,797,181	69,000
Kearny .....	258,490 <sup>M</sup>	.....
Weehawken .....	89,785 <sup>M</sup>	.....
West New York .....	225,570 <sup>M</sup>	.....
Trenton .....	1,021,928	41,329
South Amboy .....	43,810 <sup>M</sup>	.....
Woodbridge .....	999,595 <sup>M</sup>	.....
Elizabeth .....	735,955 <sup>M</sup>	.....
		<b>\$588,091 Decrease</b>

<sup>M</sup> Indicates a minimum aid district.

**APPENDIX E**

**Table 5**

**RELATIONSHIP OF BUSINESS PERSONAL PROPERTY VALUATIONS  
TO NET VALUATION TAXABLE, 1964 AND 1965\*  
20 SELECTED DISTRICTS**

Municipality	1964			1965		
	Net Valuation Taxable	Business Personal Property Valuation	% Bus. Pers.	Net Valuation Taxable	Business Personal Property Valuation	% Bus. Pers.
1. Passaic .....	\$249,169,659	\$54,461,250	21.85%	\$233,071,259	\$24,913,400	10.70%
2. Kearny .....	100,597,332	19,964,580	19.84	91,505,634	10,613,751	11.60
3. Camden .....	177,419,237	32,685,910	18.42	177,153,615	30,562,975	17.25
4. Newark .....	1,522,873,964	278,401,700	18.28	1,391,738,415	140,981,100	10.13
5. New Brunswick <sup>1</sup> .....	65,544,569	11,269,900	17.19	110,879,820	11,965,125	10.79
6. Hackensack .....	261,776,889	43,302,100	16.54	242,547,753	19,145,640	7.89
7. Bayonne .....	144,513,799	23,021,600	15.93	129,749,649	7,101,117	5.47
8. Asbury Park .....	87,785,240	13,125,500	14.95	84,190,123	9,191,333	10.92
9. Trenton .....	182,308,561	25,702,200	14.09	172,844,417	18,379,213	10.63
10. Hoboken .....	82,139,105	10,748,000	13.08	82,382,233	12,382,134	15.03
11. Jersey City .....	465,377,841	59,658,900	12.81	434,800,953	30,939,399	7.12
12. Woodbridge <sup>2</sup> .....	70,127,526	8,342,869	11.89	232,473,558	14,072,000	6.05
13. Elizabeth <sup>3</sup> .....	168,099,826	19,795,400	11.77	294,368,962	27,504,400	9.34
14. Weehawken .....	41,901,733	4,890,250	11.67	36,504,837	877,507	2.40
15. Morristown <sup>4</sup> .....	33,406,066	3,770,050	11.28	56,422,906	5,047,300	8.95
16. Paterson .....	514,060,257	57,249,200	11.13	507,641,669	47,791,729	9.41
17. West New York .....	57,244,714	5,765,275	10.07	54,224,520	3,157,756	5.83
18. Plainfield <sup>5</sup> .....	79,670,217	7,395,950	9.28	133,606,016	8,074,000	6.04
19. Atlantic City .....	164,760,048	11,137,150	6.75	168,779,133	12,991,700	7.69
20. South Amboy <sup>6</sup> .....	6,750,536	252,150	3.73	22,892,648	730,000	3.19

\* The drastic changes in the percentages of business personal property to net valuation taxable, 1965 as compared to 1964, are attributable principally to the effect of Chapter 141, Laws of 1964, amending Chapter 51, Laws of 1960, on business personal property valuations in 1965.

1 Assessment ratios: 1964-32.18%; 1965-50.0%.

2 Assessment ratios: 1964-11.80%; 1965-40.0%.

3 Assessment ratios: 1964-30.54%; 1965-52.7%.

4 Assessment ratios: 1964-29.34%; 1965-49.8%.

5 Assessment ratios: 1964-31.71%; 1965-55.4%.

6 Assessment ratios: 1964-16.17%; 1965-50.0%.

**APPENDIX E**

**Table 6**

**RATIO OF CLASS II VALUATIONS TO TOTAL VALUATIONS (N. V. T.)  
OF THE FOLLOWING 12 MUNICIPALITIES**

Year	Jersey City	Newark	Weehawken	Hoboken	West New York	Elizabeth	Kearny	Trenton	Camden	Bayonne	Woodbridge	South Amboy
1965 .....	13.65%	1.64%	41.51%	11.37%	12.18%	1.39%	2.98%	0.77%	1.04%	0.92%	0.65%	13.13%
1964 .....	13.30	1.51	39.05 <sup>1</sup>	11.44	11.48	1.74	2.75	1.03	1.04	0.82	0.88	13.62 <sup>2</sup>
1963 .....	14.11	1.53	43.23	11.47	11.97	1.86	2.82	1.02	1.08	0.89	0.99	22.20
1962 .....	14.53	1.60	43.43	11.84	12.27	1.93	2.94	1.02	1.34	0.95	1.02	23.30
1961 .....	17.68	1.69	43.94	11.93	12.74	1.98	2.92	0.95	1.84	0.96	0.68	23.27
1960 .....	18.01	1.22	44.00	11.82	12.90	2.01	2.93	0.99	2.00	0.94	3.31	23.46
1959 .....	18.37	1.23	44.05	11.84	13.21	2.05	2.98	1.01	2.06	0.95	3.50	23.69
1958 .....	19.27	1.74	42.28	10.98	13.17	1.99	2.99	1.03	2.18	0.95	3.51	24.44
1957 .....	19.33	1.85	42.17	9.59	13.81	1.94	3.08	1.07	2.22	0.94	3.79	24.50
1956 .....	19.61	1.78	41.82	9.56	13.50	2.00	3.16	1.18	2.22	0.88	4.65	25.48
1955 .....	20.14	1.59	41.25	9.51	13.46	2.04	3.28	1.23	2.28	0.90	5.05	27.05
1954 .....	20.78	1.61	41.16	9.46	13.27	2.06	3.40	1.20	2.26	0.90	5.71	27.07

<sup>1</sup> Personal property valuations increased \$3,300,000 over 1963.

<sup>2</sup> Cl. II valuation reduced from \$1,516,080 in 1963 to \$919,436 in 1964.

**APPENDIX E**

**Table 7**

**TAXING DISTRICTS WITH SECOND CLASS PROPERTY ACCORDING TO VALUATION  
1965 ASSESSMENT**

Taxing District	County	Ratio	Valuation	Taxes
1. Jersey City .....	Hudson .....	..	\$59,329,684	\$6,557,709.99
2. Newark City .....	Essex .....	..	22,870,615	1,479,728.79
3. Weehawken Township .....	Hudson .....	..	15,153,843	1,683,288.87
4. Hoboken City .....	Hudson .....	..	9,368,499	1,123,376.72
5. West New York, Town of .....	Hudson .....	..	6,602,114	847,579.40
6. Elizabeth City .....	Union .....	50%	4,097,022	245,821.32
7. South Amboy City .....	Middlesex .....	50	3,006,348	111,836.15
8. Kearny, Town of .....	Hudson .....	..	2,725,683	201,100.89
9. Camden City .....	Camden .....	50	1,838,055	165,424.95
10. Woodbridge Township .....	Middlesex .....	40	1,519,781	81,916.18
11. Trenton City .....	Mercer .....	50	1,331,404	149,649.80
12. Bayonne City .....	Hudson .....	..	1,187,632	115,710.98
13. Phillipsburg, Town of .....	Warren .....	..	797,239	27,743.93
14. Paterson City .....	Passaic .....	..	769,480	33,395.44
15. Secaucus, Town of .....	Hudson .....	..	731,401	78,823.09
16. North Bergen Township .....	Hudson .....	..	724,344	88,174.39
17. Passaic City .....	Passaic .....	..	644,409	23,778.70
18. Ridgefield Borough .....	Bergen .....	..	603,974	4,529.81
19. Edgewater Borough .....	Bergen .....	..	599,055	13,957.98
20. Harrison, Town of .....	Hudson .....	..	554,887	33,925.79
21. Bay Head Borough .....	Ocean .....	..	507,839	11,477.16
22. Montclair, Town of .....	Essex .....	..	483,283	21,457.77
23. East Orange City .....	Essex .....	..	446,754	22,918.48
24. Atlantic City .....	Atlantic .....	50	443,078	33,363.78
25. Perth Amboy City .....	Middlesex .....	30	366,793	44,345.27
26. Irvington, Town of .....	Essex .....	..	350,727	13,958.93
27. Rahway City .....	Union .....	50	344,753	28,959.25
28. Bloomfield, Town of .....	Essex .....	..	338,241	13,022.28
29. Orange City .....	Essex .....	..	336,199	15,868.59
30. Metuchen Borough .....	Middlesex .....	50	306,532	19,710.01
31. New Brunswick City .....	Middlesex .....	50	299,970	17,248.28
32. South Orange Village .....	Essex .....	..	288,664	10,507.37
33. Mahwah Township .....	Bergen .....	..	283,347	7,168.68
34. Linden City .....	Union .....	50	250,173	8,480.87
35. Cranford Township .....	Union .....	50	224,910	17,070.67
36. Plainfield City .....	Union .....	50	223,041	14,319.23
37. Long Branch City .....	Monmouth .....	..	215,222	7,615.41
38. Roxbury Township .....	Morris .....	50	201,412	13,494.61
39. Edison Township .....	Middlesex .....	50	192,291	8,041.54
40. Summit City .....	Union .....	50	173,030	9,482.05
41. Red Bank Borough .....	Monmouth .....	..	170,383	5,456.69
42. West Windsor Township .....	Mercer .....	50	161,157	6,414.05
43. Hackensack City .....	Bergen .....	..	150,013	3,885.34
44. South Brunswick Township .....	Middlesex .....	50	138,005	7,190.06
45. Asbury Park City .....	Monmouth .....	..	133,400	4,965.28
46. Clifton City .....	Passaic .....	..	114,938	2,275.78
47. South Plainfield Borough .....	Middlesex .....	40	109,232	8,476.40
48. Hamilton Township .....	Mercer .....	50	102,477	5,625.99
49. Belleville, Town of .....	Essex .....	..	101,976	4,048.45
50. Sayreville Borough .....	Middlesex .....	50	92,114	3,085.81
51. Morristown, Town of .....	Morris .....	50	91,406	6,069.35
52. Millburn Township .....	Essex .....	..	89,076	2,378.33
53. Lyndhurst Township .....	Bergen .....	..	86,817	2,170.43
54. Somerville Borough .....	Somerset .....	50	82,150	4,625.04
55. Manville Borough .....	Somerset .....	50	79,760	4,091.69
56. Bound Brook Borough .....	Somerset .....	50	75,972	5,143.31
57. Fair Lawn Borough .....	Bergen .....	..	75,003	2,115.08
58. Ewing Township .....	Mercer .....	50	71,212	3,923.77
59. Raritan Borough .....	Somerset .....	50	67,333	3,811.05
60. North Brunswick Township .....	Middlesex .....	50	63,179	1,964.86
61. Denville Township .....	Morris .....	50	60,522	3,371.08
62. Madison Township .....	Middlesex .....	50	56,027	3,182.33
63. Spotswood Borough .....	Middlesex .....	50	50,544	2,946.72
64. Hawthorne Borough .....	Passaic .....	..	49,065	1,182.47
65. Burlington City .....	Burlington .....	..	47,996	743.94
66. Dover, Town of .....	Morris .....	50	44,219	2,715.05
67. Maplewood Township .....	Essex .....	..	43,754	1,702.03
68. Dunellen Borough .....	Middlesex .....	50	43,261	2,491.83
69. Bernardsville Borough .....	Somerset .....	50	42,740	1,966.04

Table 7—Continued

**TAXING DISTRICTS WITH SECOND CLASS PROPERTY ACCORDING TO VALUATION  
1965 ASSESSMENT**

Taxing District	County	Ratio	Valuation	Taxes
70. Millville City .....	Cumberland	40	\$37,268	\$3,156.60
71. Freehold Borough .....	Monmouth	..	36,980	1,341.85
72. Newton, Town of .....	Sussex	..	35,805	1,314.76
73. Waldwick Borough .....	Bergen	..	35,713	1,342.81
74. Hammonton, Town of .....	Atlantic	50	35,679	2,172.86
75. Vineland City .....	Cumberland	40	35,417	2,309.19
76. Chatham Borough .....	Morris	50	35,024	1,985.86
77. Boonton, Town of .....	Morris	50	34,534	2,168.74
78. Ridgewood Village .....	Bergen	..	33,611	1,139.41
79. Hillsdale Township .....	Union	50	32,480	1,848.12
80. Montgomery Township .....	Somerset	50	32,237	1,489.35
81. Neptune Township .....	Monmouth	..	31,547	1,016.73
82. Pennsauken Township .....	Camden	50	31,214	1,510.76
83. Washington Borough .....	Warren	..	31,065	1,018.93
84. Bridgeton City .....	Cumberland	40	30,612	2,819.37
85. Glen Ridge Borough .....	Essex	..	30,197	1,259.22
86. Lopatcong Township .....	Warren	..	29,704	730.72
87. Englewood City .....	Bergen	..	28,481	828.80
88. Wildwood City .....	Cape May	..	27,022	570.16
89. Roseland Borough .....	Essex	..	26,943	843.32
90. Madison Borough .....	Morris	50	26,509	1,768.15
91. Ridgefield Park Township .....	Bergen	..	24,685	752.89
92. East Rutherford Borough .....	Bergen	..	23,828	559.96
93. Carlstadt Borough .....	Bergen	..	22,264	331.73
94. Bridgewater Township .....	Somerset	50	22,132	953.89
95. Nutley, Town of .....	Essex	..	21,969	790.88
96. Princeton Borough .....	Mercer	50	21,383	883.12
97. Saddle Brook Township .....	Bergen	..	21,274	619.07
98. Union City .....	Hudson	..	20,879	2,728.89
99. Pleasantville City .....	Atlantic	50	20,632	1,774.35
100. Mt. Holly Township .....	Burlington	..	20,459	775.40
101. Caldwell Borough .....	Essex	..	20,243	797.57
102. Atlantic Highlands Borough .....	Monmouth	..	20,007	672.03
103. Kenilworth Borough .....	Union	50	19,999	867.96
104. Teterboro Borough .....	Bergen	..	19,496	116.98
105. Galloway Township .....	Atlantic	50	19,247	1,322.27
106. Netcong Borough .....	Morris	50	19,070	1,333.00
107. Roselle Park Borough .....	Union	50	19,057	1,349.24
108. Ocean City .....	Cape May	..	18,285	411.41
109. Bradley Beach Borough .....	Monmouth	..	18,077	636.64
110. Cape May City .....	Cape May	..	17,784	642.00
111. Allenhurst Borough .....	Monmouth	..	17,220	453.22
112. Teaneck Township .....	Bergen	..	15,519	462.47
113. Wanaque Borough .....	Passaic	..	15,411	468.49
114. Belvidere, Town of .....	Warren	..	15,163	511.00
115. Avon-By-The-Sea Borough .....	Monmouth	..	14,747	330.51
116. Blairstown Township .....	Warren	..	14,542	327.20
117. Roselle Borough .....	Union	50	14,457	822.60
118. High Bridge Borough .....	Hunterdon	..	14,399	421.89
119. Spring Lake Borough .....	Monmouth	..	14,250	224.90
120. Rutherford Borough .....	Bergen	..	14,241	394.48
121. Matawan Borough .....	Monmouth	..	13,084	407.76
122. Franklin Borough .....	Sussex	..	12,754	432.11
123. Union Township .....	Union	50	12,389	527.77
124. Farmingdale Borough .....	Monmouth	..	11,933	410.57
125. Gloucester City .....	Camden	50	11,901	861.64
126. Westwood Borough .....	Bergen	..	11,544	346.32
127. Lambertville City .....	Hunterdon	..	11,536	471.82
128. Belmar Borough .....	Monmouth	..	11,416	292.86
129. Middle Township .....	Cape May	..	11,414	310.47
130. Sea Girt Borough .....	Monmouth	..	11,310	210.86
131. Ramsey Borough .....	Bergen	..	11,011	311.61
132. Hopewell Borough .....	Mercer	50	10,919	733.76
133. Pt. Pleasant Beach Borough .....	Ocean	..	10,658	282.44
134. Hohokus Borough .....	Bergen	..	10,530	227.45
135. Garwood Borough .....	Union	50	10,086	486.15
136. Essex Fells Borough .....	Essex	..	9,879	351.69
137. Manasquan Borough .....	Monmouth	..	9,090	233.94
138. Allendale Borough .....	Bergen	..	9,032	256.51
139. Hightstown Borough .....	Mercer	50	9,028	676.20
140. Glen Rock Borough .....	Bergen	..	9,018	339.98
141. Readington Township .....	Hunterdon	..	8,887	250.61
142. Jamesburg Borough .....	Middlesex	50	8,875	552.92

Table 7—Continued

**TAXING DISTRICTS WITH SECOND CLASS PROPERTY ACCORDING TO VALUATION  
1965 ASSESSMENT**

Taxing District	County	Ratio	Valuation	Taxes
143. Riverside Township	Burlington	..	\$8,605	\$243.52
144. Bogota Borough	Bergen	..	8,559	226.81
145. Lodi Borough	Bergen	..	8,421	236.63
146. Little Falls Township	Passaic	..	8,338	198.45
147. Pennington Borough	Mercer	50	8,324	580.18
148. Matawan Township	Monmouth	..	8,076	263.11
149. Holland Township	Hunterdon	..	8,027	66.63
150. Pohatcong Township	Warren	..	7,743	219.90
151. Lakewood Township	Ocean	..	7,622	285.06
152. Woodbury City	Gloucester	30	7,572	778.40
153. Glassboro Borough	Gloucester	30	7,555	911.13
154. Hillsdale Borough	Bergen	..	7,549	236.28
155. Pemberton Township	Burlington	..	7,484	150.42
156. Closter Borough	Bergen	..	7,365	229.05
157. Hanover Township	Morris	50	7,165	373.30
158. Burlington Township	Burlington	..	7,111	210.49
159. Greenwich Township	Gloucester	30	7,111	298.66
160. Montville Township	Morris	50	6,984	464.44
161. Woodridge Borough	Bergen	..	6,888	136.38
162. Hackettstown, Town of	Warren	..	6,857	249.59
163. Oceanport Borough	Monmouth	..	6,576	203.53
164. Moonachie Borough	Bergen	..	6,482	112.79
165. Haddonfield Borough	Camden	50	6,438	439.08
166. Absecon City	Atlantic	50	6,163	352.52
167. Hampton Borough	Hunterdon	..	6,157	181.63
168. Lawrence Township	Mercer	50	6,146	353.41
169. Butler Borough	Morris	50	6,146	408.09
170. Salem City	Salem	30	6,099	767.86
171. South Toms River Borough	Ocean	..	6,059	146.02
172. Union Township	Ocean	..	5,956	175.11
173. Leonia Borough	Bergen	..	5,941	172.29
174. Freehold Township	Monmouth	..	5,936	179.89
175. Woodcliff Lake Borough	Bergen	..	5,823	201.48
176. Dumont Borough	Bergen	..	5,682	187.51
177. Far Hills Borough	Somerset	50	5,643	212.18
178. Westville Borough	Gloucester	30	5,587	555.91
179. Clinton Township	Hunterdon	..	5,519	148.46
180. Fanwood Borough	Union	50	5,513	369.37
181. Morris Township	Morris	50	5,338	286.65
182. Florence Township	Burlington	..	5,297	167.39
183. Keyport Borough	Monmouth	..	5,189	200.75
184. Harmony Township	Warren	..	5,164	173.00
185. Morris Plains Borough	Morris	50	5,135	270.10
186. Mt. Lakes Borough	Morris	50	5,026	419.17
187. Princeton Township	Mercer	50	5,022	295.29
188. White Township	Warren	..	4,916	121.43
189. Hillsborough Township	Somerset	50	4,609	249.81
190. Eatontown Borough	Monmouth	..	4,590	119.22
191. Bethlehem Township	Hunterdon	..	4,585	103.17
192. Milford Borough	Hunterdon	..	4,584	90.30
193. Wayne Township	Passaic	..	4,526	127.63
194. Flemington Borough	Hunterdon	..	4,504	140.98
195. Peapack-Gladstone Borough	Somerset	50	4,461	216.80
196. Branchburg Township	Somerset	50	4,440	256.18
197. Little Silver Borough	Monmouth	..	4,404	131.28
198. Franklin Township	Hunterdon	..	4,336	81.08
199. Middlesex Borough	Middlesex	50	4,307	241.62
200. Elmer Borough	Salem	30	4,305	453.32
201. Clinton, Town of	Hunterdon	..	4,295	129.28
202. Plumsted Township	Ocean	..	4,238	108.92
203. Pennsgrove Borough	Salem	30	4,118	459.57
204. Edgewater Park Township	Burlington	..	4,074	114.48
205. Keansburg Borough	Monmouth	..	4,041	139.50
206. Highland Park Borough	Middlesex	50	4,036	246.20
207. Bordentown City	Burlington	..	4,015	136.51
208. Raritan Township	Hunterdon	..	3,906	82.81
209. Maurice River Township	Cumberland	40	3,727	253.06
210. Passaic Township	Morris	50	3,707	301.38
211. Collingswood Borough	Camden	50	3,694	234.20
212. Winslow Township	Camden	50	3,678	246.43
213. Randolph Township	Morris	50	3,651	276.02
214. Fairview Borough	Bergen	..	3,609	81.56
215. Middletown Township	Monmouth	..	3,555	119.99
216. Merchantville Borough	Camden	50	3,514	225.60

Table 7—Continued

**TAXING DISTRICTS WITH SECOND CLASS PROPERTY ACCORDING TO VALUATION  
1965 ASSESSMENT**

Taxing District	County	Ratio	Valuation	Taxes
217. Maple Shade Township	Burlington	..	\$3,498	\$112.29
218. Carteret Borough	Middlesex	11	3,481	822.21
219. Union Township	Hunterdon	..	3,412	75.75
220. Moorestown Township	Burlington	..	3,346	99.04
221. Bergenfield Borough	Bergen	..	3,321	100.29
222. Haworth Borough	Bergen	..	3,320	137.78
223. Cedar Grove Township	Essex	..	3,243	118.05
224. Oaklyn Borough	Camden	50	3,174	201.23
225. Garfield City	Bergen	..	3,159	77.71
226. River Edge Borough	Bergen	..	3,144	96.84
227. Upper Township	Cape May	..	3,119	33.69
228. Rochelle Park Township	Bergen	..	3,115	79.43
229. Alpha Borough	Warren	..	3,089	82.79
230. Hasbrouck Heights Borough	Bergen	..	3,084	75.87
231. Lakehurst Borough	Ocean	..	3,042	96.43
232. Lebanon Borough	Hunterdon	..	2,883	62.85
233. New Hanover Township	Burlington	..	2,880	13.82
234. Frenchtown Borough	Hunterdon	..	2,871	102.78
235. Branchville Borough	Sussex	..	2,849	87.35
236. Howell Township	Monmouth	..	2,765	84.90
237. Milltown Borough	Middlesex	50	2,665	115.66
238. Plainsboro Township	Middlesex	50	2,644	77.47
239. Rockaway Township	Morris	50	2,629	180.61
240. Berlin Borough	Camden	50	2,610	156.08
241. Montvale Borough	Bergen	..	2,453	74.08
242. Northvale Borough	Bergen	..	2,375	66.73
243. West Milford Township	Passaic	..	2,357	59.40
244. Clayton Borough	Gloucester	30	2,335	304.72
245. Bloomsbury Borough	Hunterdon	..	2,283	61.64
246. Riverdale Borough	Morris	50	2,277	121.82
247. Franklin Township	Somerset	50	2,269	164.73
248. Marlboro Township	Monmouth	..	2,255	70.33
249. East Paterson Borough	Bergen	..	2,236	53.22
250. Verona Borough	Essex	..	2,220	78.14
251. Monroe Township	Gloucester	30	2,165	221.05
252. Haddon Township	Camden	50	2,144	143.65
253. Wharton Borough	Morris	50	2,128	183.22
254. West Cape May Borough	Cape May	..	2,116	80.62
255. Swedesboro Borough	Gloucester	30	2,114	194.91
256. Clark Township	Union	50	2,034	106.58
257. Rockaway Borough	Morris	50	2,018	125.11
258. Lincoln Park Borough	Morris	50	2,005	171.43
259. Demarest Borough	Bergen	..	2,000	69.40
260. Pitman Borough	Gloucester	30	2,000	227.00
261. Bordentown Township	Burlington	..	1,992	49.40
262. Oradell Borough	Bergen	..	1,943	44.11
263. Washington Township	Mercer	50	1,901	90.68
264. Parsippany-Troy Hills Township	Morris	50	1,879	110.30
265. Beverly City	Burlington	..	1,790	53.70
266. Upper Deerfield Township	Cumberland	40	1,739	119.65
267. Knowlton Township	Warren	..	1,706	40.77
268. North Arlington Borough	Bergen	..	1,671	40.27
269. Monroe Township	Middlesex	50	1,671	98.75
270. Lawrence Township	Cumberland	40	1,666	156.77
271. Midland Park Borough	Bergen	..	1,637	49.60
272. Westfield, Town of	Union	50	1,629	98.23
273. South River Borough	Middlesex	50	1,596	91.29
274. Bernards Township	Somerset	50	1,567	102.48
275. Andover Borough	Sussex	..	1,567	44.63
276. Audubon Borough	Camden	50	1,550	84.63
277. Totowa Borough	Passaic	..	1,525	35.69
278. East Brunswick Township	Middlesex	50	1,516	100.21
279. Harrington Park Borough	Bergen	..	1,503	43.89
280. Norwood Borough	Bergen	..	1,469	38.63
281. Stockton Borough	Hunterdon	..	1,439	31.95
282. Spring Lake Heights Borough	Monmouth	..	1,418	46.74
283. Springfield Township	Union	50	1,413	81.25
284. Lower Penns Neck Township	Salem	30	1,337	112.04
285. East Hanover Township	Morris	50	1,331	57.10
286. Dover Township	Ocean	..	1,325	34.45
287. Independence Township	Warren	..	1,319	49.59
288. Manchester Township	Ocean	..	1,310	35.37
289. New Providence Borough	Union	50	1,308	80.83

Table 7—Continued

**TAXING DISTRICTS WITH SECOND CLASS PROPERTY ACCORDING TO VALUATION  
1965 ASSESSMENT**

Taxing District	County	Ratio	Valuation	Taxes
290. Riverton Borough	Burlington	..	\$1,260	\$43.22
291. Greenwich Township	Warren	..	1,231	31.02
292. Mansfield Township	Burlington	..	1,215	28.19
293. Sparta Township	Sussex	..	1,214	48.68
294. Allamuchy Township	Warren	..	1,180	47.79
295. Woodbine Borough	Cape May	..	1,113	36.73
296. Maywood Borough	Bergen	..	1,112	29.47
297. Clementon Borough	Camden	50	1,112	76.06
298. Emerson Borough	Bergen	..	1,101	36.55
299. Gloucester Township	Camden	50	1,094	65.20
300. Mannington Township	Salem	30	1,080	103.68
301. Palisades Park Borough	Bergen	..	1,062	27.51
302. Hopewell Township	Mercer	50	1,053	67.08
303. Pequannock Township	Morris	50	1,038	73.80
304. Washington Township	Warren	..	1,029	34.57
305. Egg Harbor City	Atlantic	50	1,000	98.20
306. Haddon Heights Borough	Camden	50	1,000	72.00
307. Raritan Township	Monmouth	..	983	40.52
308. Lumberton Township	Burlington	..	953	31.45
309. Wenonah Borough	Gloucester	30	925	107.76
310. East Amwell Township	Hunterdon	..	900	24.93
311. Eastampton Township	Burlington	..	896	27.69
312. Kingwood Township	Hunterdon	..	871	19.34
313. Jackson Township	Ocean	..	858	28.83
314. Lindenwold Borough	Camden	50	849	66.39
315. South Hackensack Township	Bergen	..	848	14.84
316. Woodstown Borough	Salem	30	830	77.77
317. Fairfield Township	Cumberland	40	809	69.17
318. Mansfield Township	Warren	..	793	27.28
319. Green Township	Sussex	..	775	25.25
320. Buena Vista Township	Atlantic	50	769	33.84
321. Newfield Borough	Gloucester	30	754	67.79
322. Washington Township	Morris	50	742	50.90
323. Park Ridge Borough	Bergen	..	740	24.49
324. Union Beach Borough	Monmouth	..	730	29.21
325. Upper Freehold Township	Monmouth	..	721	21.21
326. Franklin Township	Warren	..	709	19.57
327. Frelinghuysen Township	Warren	..	705	18.54
328. South Bound Brook Borough	Somerset	50	677	56.53
329. Lafayette Township	Sussex	..	661	23.67
330. Mullica Township	Atlantic	50	654	36.36
331. Cranbury Township	Middlesex	50	637	24.78
332. Piscataway Township	Middlesex	35	637	48.86
333. Paulsboro Borough	Gloucester	30	603	66.87
334. Voorhees Township	Camden	50	597	42.51
335. Ogdensburg Borough	Sussex	..	586	18.86
336. Vernon Township	Sussex	..	582	11.98
337. Palmyra Borough	Burlington	..	505	16.36
338. Mt. Olive Township	Morris	50	490	26.37
339. Hainesport Township	Burlington	..	488	14.98
340. Delaware Township	Hunterdon	..	475	9.03
341. Pompton Lakes Borough	Passaic	..	451	13.21
342. Oldmans Township	Salem	30	449	49.21
343. Glen Gardner Borough	Hunterdon	..	430	12.04
344. Brielle Borough	Monmouth	..	421	12.55
345. Dennis Township	Cape May	..	417	11.97
346. Buena Borough	Atlantic	50	413	19.70
347. Oxford Township	Warren	..	397	17.75
348. Mt. Laurel Township	Burlington	..	392	12.35
349. Hardyston Township	Sussex	..	391	12.41
350. Wallington Borough	Bergen	..	385	9.39
351. Jefferson Township	Morris	50	383	33.17
352. Manalapan Township	Monmouth	..	377	12.60
353. Bloomingdale Borough	Passaic	..	366	11.38
354. Stratford Borough	Camden	50	355	21.09
355. Hamilton Township	Atlantic	50	345	18.11
356. Folsom Borough	Atlantic	50	338	13.25
357. Wall Township	Monmouth	..	329	10.52
358. Brooklawn Borough	Camden	50	320	17.41
359. Cherry Hill Township	Camden	50	284	16.93
360. Byram Township	Sussex	..	267	6.78
361. Andover Township	Sussex	..	266	8.26
362. Mantua Township	Gloucester	30	264	32.42

Table 7—Continued

TAXING DISTRICTS WITH SECOND CLASS PROPERTY ACCORDING TO VALUATION  
1965 ASSESSMENT

Taxing District	County	Ratio	Valuation	Taxes
363. Mt. Arlington Borough	Morris	50	\$256	\$15.46
364. Tenafly Borough	Bergen	..	250	8.63
365. Lower Township	Cape May	..	211	4.68
366. Wrightstown Borough	Burlington	..	203	2.84
367. Franklin Township	Gloucester	30	191	20.93
368. Downe Township	Cumberland	40	190	15.28
369. Pilesgrove Township	Salem	30	187	14.87
370. Waterford Township	Camden	50	180	13.43
371. Liberty Township	Warren	..	152	5.46
372. Laurel Springs Borough	Camden	50	140	7.95
373. Woolwich Township	Gloucester	30	140	12.95
374. Southampton Township	Burlington	..	126	3.68
375. Oakland Borough	Bergen	..	120	4.09
376. North Hanover Township	Burlington	..	120	2.28
377. Hopewell Township	Cumberland	40	118	7.33
378. Lebanon Township	Hunterdon	..	117	2.26
379. Alexandria Township	Hunterdon	..	110	2.88
380. Woodbury Heights Borough	Gloucester	30	107	9.66
381. Woodland Township	Burlington	..	101	2.31
382. East Greenwich Township	Gloucester	30	96	8.11
383. Medford Township	Burlington	..	95	2.32
384. Somers Point City	Atlantic	50	87	4.15
385. Corbin City	Atlantic	50	77	4.61
386. Kinnelon Borough	Morris	50	75	5.35
387. Northfield City	Atlantic	50	72	4.25
388. Englishtown Borough	Monmouth	..	60	3.02
389. Califon Borough	Hunterdon	..	56	1.60
390. Frankford Township	Sussex	..	53	2.09
391. Commercial Township	Cumberland	40	52	5.62
392. Barrington Borough	Camden	50	50	3.33
393. Magnolia Borough	Camden	50	50	4.11
394. Deptford Township	Gloucester	30	50	5.55
395. Lacey Township	Ocean	..	48	0.85
396. Scotch Plains Township	Union	50	45	2.67
397. Springfield Township	Burlington	..	36	0.66
398. Elk Township	Gloucester	30	36	4.46
399. Fieldsboro Borough	Burlington	..	34	0.91
400. West Amwell Township	Hunterdon	..	33	0.82
401. Estell Manor City	Atlantic	50	30	1.99
402. Pittsgrove Township	Salem	30	30	2.32
403. Somerdale Borough	Camden	50	25	1.96
404. Upper Pittsgrove Township	Salem	30	25	2.43
405. Berkeley Township	Ocean	..	24	0.76
406. Pine Hill Borough	Camden	50	23	2.18
407. Cresskill Borough	Bergen	..	22	0.65
408. Linwood City	Atlantic	50	19	1.14
409. Logan Township	Gloucester	30	18	1.43
410. Egg Harbor Township	Atlantic	50	17	1.17
411. Hi-Nella Borough	Camden	50	15	1.00
412. Ocean Township	Ocean	..	12	0.21
413. East Windsor Township	Mercer	50	6	0.33
414. South Harrison Township	Gloucester	30	4	0.42

Source: Department of the Treasury, Division of Taxation, Public Utility Tax Bureau.









