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

before

LEGISLATIVE CONFERENCE GROUP ON FULL
ASSESSMENT PROBLEMS - RECOMMENDATIONS

on

Senate and Assembly Bills Numbers 81, 82, 84,
85, 86, and 87, and Senate and Assembly Concurrent
Resolutions Number 23.

Held:
March 3, 1959
Assembly Chamber
State House
Trenton, New Jersey

MEMBERS OF CONFERENCE GROUP PRESENT:

Senator Wayne Dumont, Jr., (Chairman)

Senator Robert C. Crane

Senator Donal C. Fox

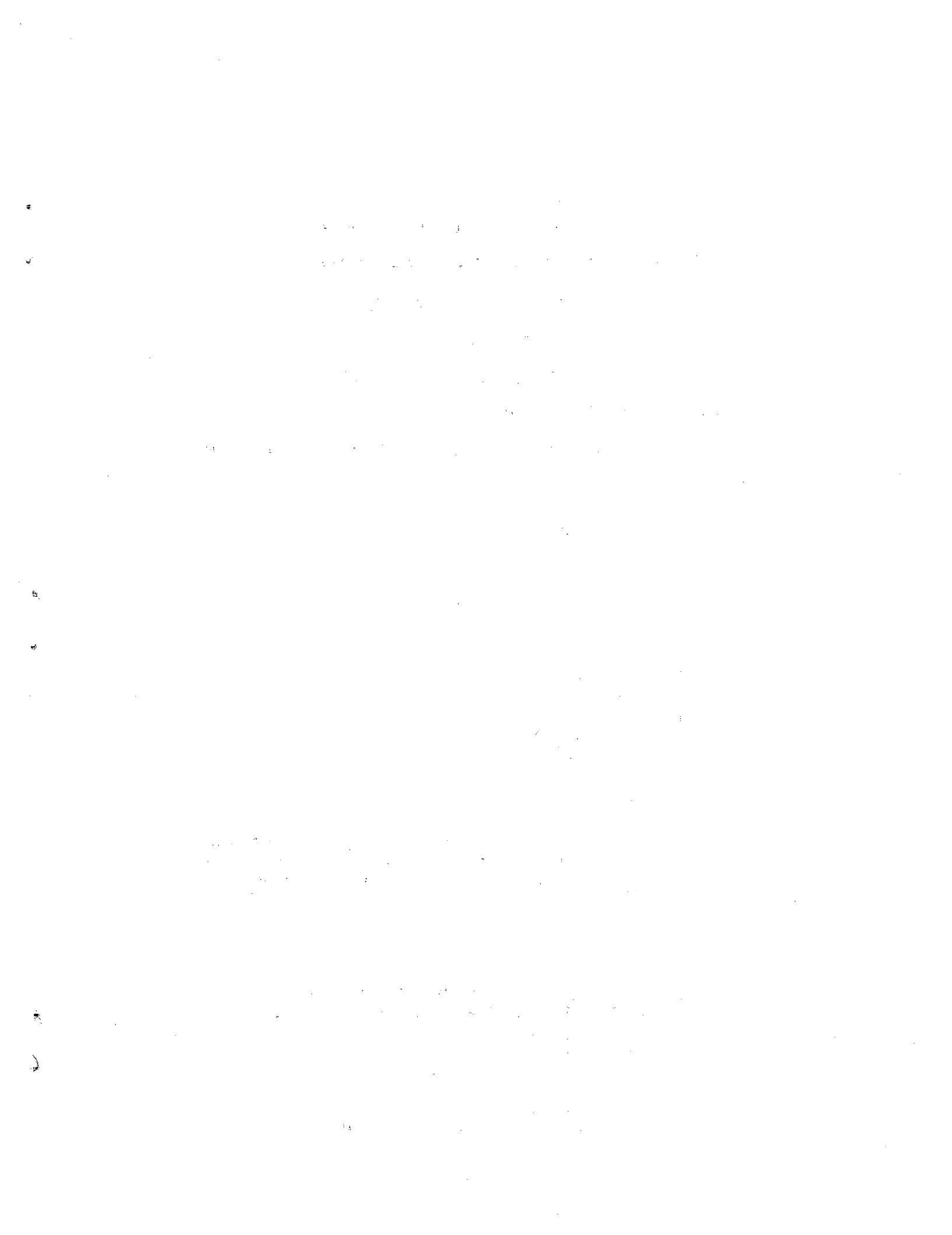
Senator John A. Waddington

Assemblyman Charles E. Farrington

Assemblyman Elmer M. Matthews

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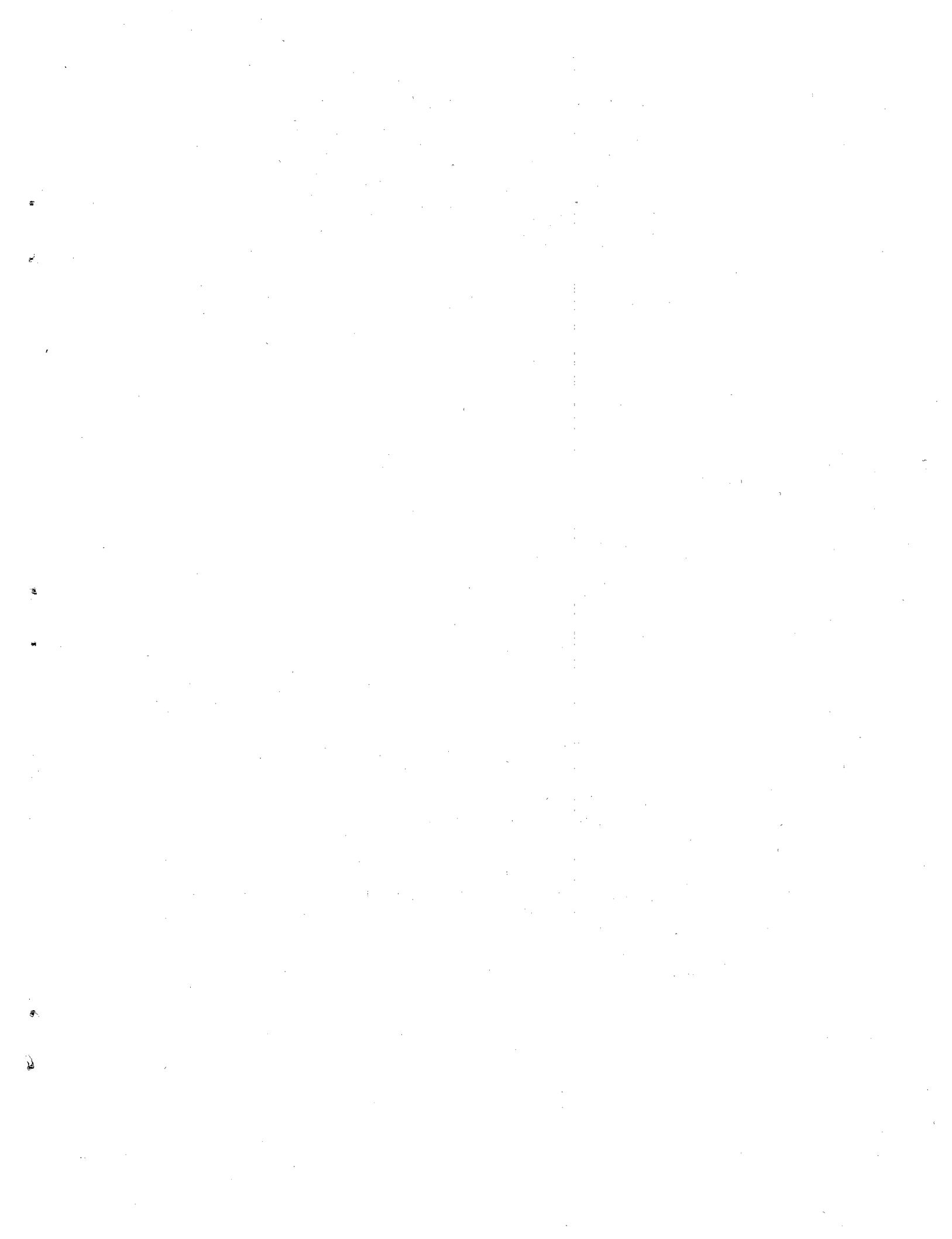
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SENATOR WAYNE DUMONT, JR. (CHAIRMAN): Today's hearing will come to order.

I am going to call on Mr. Joel R. Jacobson of the New Jersey State C I O Council, who will be the first witness.

Before we begin, I would like to note the presence of the following members of the Commission. On my left is Senator John Waddington of Salem County; to my right, Assemblyman Elmer Matthews of Essex County, and Senator Donal Fox of Essex County; and Assemblyman Charles Farrington of Mercer County.

JOEL R. JACOBSON: Mr. Chairman and gentlemen of the Committee, my name is Joel R. Jacobson. I am Executive Vice President of the New Jersey State C I O Council and I am here this morning to present the views of our Organization with regard to this very complex and complicated problem. I state this at the outset because I want to make it very plain that I make no claim to being an expert on this subject. The only comforting thought I have is that nobody else has either; hence, I walk into the lion's den to present our viewpoint.

Because the Chairman of the Commission has already indicated that these bills are to be redrafted, containing suggestions made at previous public hearings, I am not going to comment on each bill seriatim but I am going to present, rather, a program which we would urge this Commission to consider when it comes to the final drafting of the bills. As such, it is probably more of a philosophy of taxation than

a detailed analysis of each individual bill under consideration.

First, we are very much concerned with the alarming trend that is being determined in practically all avenues of taxation, the emphasis, we fear, being on "soak the poor." Certainly the State of New York is a horrible example of this and we want to do everything we can to prevent similar situations arising in New Jersey.

The truth of the matter is that the low income consumer is already heavily overburdened, assuming a disproportionate share of taxation. This is even true with regard to the specific subject under consideration here today, the question of assessments.

Now, the State Tax Policy Commission, in its Sixth Report, gave several charts that I think are typical of the discrimination that exists already against the low income man. And if I may, I would like to read just a few of these statistics to indicate the point I am making.

They stated that the average assessment ratio on residents, in the large urban area as compared to the suburban area within specific counties, indicates that the man who lives in the larger city has to pay a higher percentage of taxation than his neighbor in the suburbs. Just for example: In Camden County as a whole, the average assessment ratio was 34%; in Camden City it was 42%. In Essex County it was 43%; Newark, 47%. Hudson County, 52%; in Jersey City, 63%. Mercer County, 34%; Trenton, 40%. Passaic County, 37%; Patterson, 49%. Union County, 35%; Elizabeth, 44%. In every instance, the man who lives in the larger city paid a higher

taxation - had his property assessed at a higher evaluation than his neighbor in the suburban area.

"Now, these inequities are compounded even further," this report goes on to state, "when one recognizes that within the larger cities the low value residential properties have traditionally been assessed at a higher level than the high value properties." And just four examples here: In Newark, properties evaluated at between two and four thousand dollars were assessed at 69%; in Newark, the same city, properties evaluated at over \$20,000 were assessed at not 69% but 41%. And this situation exists throughout other cities in this State. In Jersey City, properties evaluated between two and four thousand, the level of assessment was 78%; properties as high as \$18,000, 35%, almost half. Elizabeth, properties between two and four thousand, 67%; properties of \$20,000, 35%. Camden, the same thing, - properties between two and four thousand, 54%; properties as high as \$18,000, 32%.

In short, the fall guy in every instance is the little fellow who lives in his own low or middle value home in a big city.

As a result of these facts, facts presented, as I said before, by the State Tax Policy Commission, we are very much concerned with any trend that will continue these discriminatory practices. We hear many Legislators express concern for business. I don't think there has been a corresponding number of legislative expressions of concern for the fellow who owns his own home and lives in a big city.

Obviously, I'm making the point that most of the people who belong to our Unions fall into this category.

As a result of these facts, we would like to recommend two specific items to the Committee for consideration. One is a long-range plan and the second is a short-range plan.

The first is to propose that the processes be placed in order to effectuate a constitutional amendment which would authorize the classification of property, where non-income producing properties could be assessed at lower levels than high income producing properties. As an example, and just as an example, owner inhabited residential sites might be assessed at 40%; real estate commercial properties might be assessed at 50%; industrial and commercial properties might be assessed at 75%.

The regressive nature of the property tax becomes apparent when it is realized that the man who owns his own low value home is taxed at the same rate as a corporation which derives huge profits from its property.

The classification of property, as we have just recommended, would establish the principle of ability to pay and eliminate the regressivity of the property tax.

Now, the second recommendation is a recommendation of a short range immediate nature and coincides with the principles propounded by both Assemblymen Matthews and D'Aloia in bills which they have introduced, although we vary in some small details.

We would urge the Legislature to permit municipalities to dispense assessment justice by granting a homestead

exemption as high as \$5,000 to the owner occupied one-family home, the municipality to have the option of invoking this or not. This would be a weapon in the hands of the municipalities to prevent the wholesale shift of disproportionate taxation to the small home owner.

Even with regard to Jersey City where there is a very peculiar problem, the authority to grant such an exemption would provide the municipality with the means to prevent this disproportionate share of taxation being placed on the residents, this wholesale shift.

And the Ninth Policy Report, computing the effect of a \$2,000 exemption on the 40-40-10 ratio, indicates that this could solve the problem of Hudson County to the extent that at least no new taxes would be placed on the residents. Providing an option as high as \$5,000 permits a municipality which has a peculiar problem to achieve the justice that we have recommended here.

Now, we consider these programs are necessary to prevent a tax structure where the owner-resident of a one family home, with no income producing value, will be saddled with a confiscatory and prohibitive tax burden, while absentee owners of high income producing properties will evade their fair share of taxation.

This will also enable the State to help end over 100 years of inequitable and burdensome taxation on the small, one site, large city resident who lives in his own home.

Now, that gentlemen is the bulk of the recommendations made by the CIO. I would assume that the question might

be asked that if we were to recommend these items that a resulting burden would be placed upon industry in the form of additional taxes on a local level. I have here, and I don't know whether it's pertinent to this hearing at the moment or not, - if you would like to hear it, I will present it, but I'll just describe it to you.

CHAIRMAN DUMONT: Go ahead.

MR. JACOBSON: I have here the results of five or six independent studies made in this area to indicate that the incidence of state and local taxation on plant location is negligible. I make this point that if the shift in taxation does take place, a shift on the shoulders of industry, where frankly we think it belongs, the charge that has been made many times - the emotional charge has been made that industry will leave the State or refuse to come into the State - cannot be substantiated by these studies which have been made not by the CIO but by independent agencies and university officials. Would you care to hear this?

CHAIRMAN DUMONT: Yes, please.

MR. JACOBSON: I want to say at the beginning here too that we are very much concerned with plant migration. I am perfectly aware of the fact that you can't have jobs and union members if there is no industry. We want industry as much as industry does. But I do make the point that the emotional outcries that have been erupting and emanating from business sources in the past cannot be equated with the facts.

The first study was made by that venerable publication called "U.S. News and World Report" which, as I am sure you

recognize, is no agent of the Kremlin. Their report indicates that state and local taxes is a very minor factor in the consideration of management when they consider plant location. But if you are inclined to question the accuracy of this magazine, I have no argument with you because I have found many of its articles, in the past, questionable.

The University of Oklahoma has made a study in which it states that of the 34 factors considered by management when locating a plant, state and local taxes ranks 22nd. I tried to get a copy of this report but I was unsuccessful, so I can only report to you this one blanket statement.

However, there have been two or three other studies made with particular impact upon the local situation that I do have and I would like to present the details of them to you. The first is a report by the United States Department of Commerce, from the Office of Domestic Commerce in the year 1947, entitled: Basic Industrial Location Factors. And they list 13 factors that industry considers before locating a plant in this order:

1. Location of production materials.
2. Labor.
3. Sites.
4. Industrial fuels.
5. Transportation facilities.
6. The market.
7. Distribution facilities.
8. Power.
9. Water

10. Living conditions.
11. Laws and regulations.
12. Tax structure.
13. Climate.

This, as I said before, is an independent report by the Department of Commerce and indicates and substantiates the point we have made.

Now, there are two other studies that I think are of particular importance and particular instance, that this Committee might like to see.

This is a report by Professor Alan K. Campbell of Hofstra College and it was published in the National Tax Journal of September, 1958. I have a copy here. It is entitled: Taxes and Industrial Location in the New York Metropolitan Region. And I would like to read just a few quotes from this to indicate the point I am making.

The Regional Plant Association surveyed some 64 manufacturing firms in the New York-New Jersey metropolitan area with particular emphasis upon firms that have relocated from the area. They found this to be the fact: "Why did they leave?" the report asks, "The most important asserted reason was not taxes, it was space consideration." They go on to make the other point that a report made by gentlemen affiliated with the School of Business Administration at Seton Hall University, 1955, and a report entitled: Reasons for Relocating New Jersey Manufacturing Firms, stated this: "Tax considerations cannot be considered as having played a dominant role in the location decisions studied."

It says, it's a minor factor in the considerations.

"In 1954," this report states, "the state and local taxes of manufacturing firms in the New York Metropolitan Area" - which, of course, includes northeastern New Jersey - "average about one-eighth percent of their gross sales. When you compute this with the cost of labor, transportation, sites, and the other costs they have, the impact of state and local taxation is minimal."

They also make the point that even though New York and the New Jersey tax systems are very different, they were amazed that the average for the locations in New York, as compared with the locations in New Jersey, showed an index of almost the same amount, indicating that despite the varying systems of taxation in both states, the total impact on the corporations surveyed was virtually nil.

And one final point with regard to this report indicates that of all the locations surveyed, this is with New York and Connecticut, the impact of local and state taxes on the New Jersey locations was lower than both New York and Connecticut, both in all locations and with specific emphasis on locations of cities under 100,000.

The final report I have to cite substantiates pretty much the point I just made. It is true, there have been migrations from the larger cities but apparently state and local taxation had nothing to do with it, because it happens to be a trend that is nationwide, as reported in the Report by the Committee on Economic Development, called: The Changing Economic Function of the Central Cities. And in

this report they point out the same precise things, that the determining factor of the location of a plant are these other items I discussed. Among a most important one is the population density. Apparently, this is what has a motivating influence on the selection of a plant, not taxation.

I make this final point, after citing these studies, that if the state revenues are insufficient, and frankly we would like to see more state aid for the municipalities to relieve the property tax, even for the businesses in the respective communities, that the proposals made traditionally by the State CIO Council for increased corporation taxes would be sound, would not place us at an unfair competitive level if these studies have any relevancy whatsoever.

Thank you very much.

CHAIRMAN DUMONT: Mr. Jacobson, on your proposal here for classifications, as I understand it you would restrict that to two classes of property. Is that correct?

MR. JACOBSON: No. I had three. One, the owner-inhabited residential; commercial residential; and finally industrial and commercial.

CHAIRMAN DUMONT: You didn't make, and you indicated in the beginning that you wouldn't but I want to ask you about Senate and Assembly 86 which would repeal parts of the present exemption to personal property stored in public warehouses - do you have any comment to make about that bill, specifically in relation to what has been said by a number of witnesses might happen in regard to jobs being taken away from the State?

MR. JACOBSON: As a matter of principle, we would be opposed to a property tax. And I suppose if you extend the principle it would have to apply to personal property as well as business property. I am inclined to think that it is an unfair sort of taxation, and that if the revenues which might be anticipated to be derived from this source were not available by continuing the exemption, the other method of raising the revenues, certainly a corporation tax, I think, would be a fairer method.

CHAIRMAN DUMONT: Well, do you feel that this exemption ought to be repealed that is now granted to personal property stored in public warehouses, or do you think that the revenue that could be anticipated from such a repeal or partial repeal would be offset by the loss of job opportunities in New Jersey?

MR. JACOBSON: I really can't answer that question because I don't know too much about it. But as I say, as a matter of principle I am inclined to think that this form of taxation is unfair, whether it's applied to personal property or to business property. And I would much prefer to see a system based on the ability to pay rather than just the fact that something is laying in the warehouse somewhere.

CHAIRMAN DUMONT: Are there any questions by other members of the Commission?

ASSEMBLYMAN FARRINGTON: Mr. Jacobson, first, are you speaking for the AF of L today, also?

MR. JACOBSON: No, I am speaking for the State CIO Council today.

ASSEMBLYMAN FARRINGTON: I noticed at the Appropriations

Committee meeting you spoke for both and I thought that might apply today.

If your short range plan for the homestead exemption were enacted, would that eliminate your thought that there should be classification in New Jersey?

MR. JACOBSON: I wouldn't think so. As a matter of fact, the short range plan, in my idea, is just a stopgap to prevent the wholesale shift of disproportionate burdens right now. It would appear to me that the long range plan should be the guiding yardstick by which taxation is levied.

ASSEMBLYMAN FARRINGTON: But then that would result in two classifications in commercial and industry and eliminate the owner-inhabited classification.

MR. JACOBSON: Well, I make these just as examples of what could be done. I really haven't made any profound study of it but I would like to see different levels of assessment based upon the classifications or near classifications as described in my presentation. The major emphasis there would be that where property is used to produce income, it appears to me to be just to exact a higher level of taxation from that than where it is just used for residence.

ASSEMBLYMAN FARRINGTON: Now, one final question. Your citation of the U. S. News and World Reports, was that an editorial by Mr. Lawrence or was it a news report?

MR. JACOBSON: I don't remember. It was several years ago. Whether or not that was by Mr. Lawrence, it has his official imprimatur on it and I don't like him - that's a personal thought.

ASSEMBLYMAN FARRINGTON: We can't attach any weight to your opinion.

MR. JACOBSON: I'm exposing my prejudices toward Mr. Lawrence.

CHAIRMAN DUMONT: Any other questions of Mr. Jacobson? Does anyone in the audience want to ask Mr. Jacobson any questions?

Thank you very much, Mr. Jacobson.

MR. JACOBSON: Thank you very much.

CHAIRMAN DUMONT: The next witness is Mr. Thomas E. Hunt, Director of Revenue and Finance of the City of Newark.

THOMAS E. HUNT: My name is Thomas E. Hunt, I am Director of Revenue and City Assessor for the City of Newark.

My first remark I will direct to Senate 86. And as you will recall in the local papers, recently, that has been denounced as one of the worst bills ever proposed in the Senate of the State of New Jersey.

I am wondering who it's the worst bill for, whether it's for the general public or for selfish interests.

I would like to give the Committee a few instances of my experience in the examination of warehouses. I would like to point out to the Committee that the statute creating the exemption for the public warehouse has been from time to time interpreted by the courts and stretched many, many times.

Now, I have spent the weekend looking over the various dictionaries that I could find at my disposal, and the Webster, a brand new unabridged dictionary, says a

warehouse is a storehouse, sometimes a store room for wares or goods. And then I turned to storehouse and I find that a storehouse is a building for storing goods. And you will find that the courts in the last years have interpreted that and stretched it so that you can store goods out in the open and be taxed. They also interpreted the statute to mean that you can have men in the place that own the goods.

In one case they stated that the warehouse can be a wholly owned subsidiary. And as I go into various instances in the City of Newark, I will point these things out to you.

Now, a speaker you had last week who tore the bill apart, I will describe one of his buildings. And the point I want to make, and I want to impress this upon you, is not so much the revenues that will come from the goods stored in public warehouses as much as that it will provide fair competition between our industrialists and our commercials and those that hide in the public warehouses.

Now the first and second floors of this building are rented as stores and offices to companies who do not use the warehouse facilities. The basement and fourteen floors are rented to five tenants. One company, which comes from Harrison, occupies eight floors. They are the Brunswick-Balke Pin Spotters. The American Machinery and Foundry puts out the pin spotters and they pay taxes. And this goods is tax exempt. So you can see, in that instance the unfair competition.

Another company occupies two complete floors. There is a company located on one of the floors and stores paints

and varnish. They have a sales office in the same area. The office space is about 300 square feet. They have a sales manager and two or three salesmen on the premises at various times. And I have a copy of their sworn statement in which they claim the exemption, in which they say that they have two desks, four chairs, and two typewriters. This is in a warehouse and this is tax exempt.

All of these cases I am going to give you are cases that have either been interpreted by the court, the State Board of Tax Appeals, or the Local County Tax Board.

Now, in the basement there's a steel place down there and they occupy about one-half of the area. Now, I am going to give you the name of the machine that's in there - it's a Doall metal shearing machine. The machine is owned by the storage company, supposed to be, and the only thing that the Doall shearing machine does is cut and split steel.

Now, we're running into the problem that while the company may not change its product itself, that the warehouse people are changing that product. Otherwise, there would be no shear cutting machine in there for the storing of goods.

Now, all of the employees, they tell us, are the employees of the storage company, and tenants are allowed in the building, they say, for inventory checking only. But you figure out what six employees are doing in the paint place and they only have half of the space on the floor.

The same person, they have a place on Elizabeth Avenue. Elizabeth Avenue, the first floor is rented to a

concern paying taxes. They have other tenants in there that are paying taxes and never claim exemptions. These people bought the building from the one that's in the warehouse. They bought a building in another location and these goods they store there. In this particular place they have an office area of 30 by 40, which is 1200 sq. feet. They take all the orders, they issue all the orders for delivery; and the manager, the best he can do, as he says to me, he slips it through the door and the warehouse company makes up the orders. The order is composed of probably thirty or forty different items. So I am wondering if it is a public warehouse.

Now, I have one on McCarter Highway. Total area 60,000 square feet. 99.44% of the building is used for the warehousing of carpets. Now, in this place that's storing these carpets they have three sewing machines, they have two electric cutters, they have six immovable cutting racks, three desks and office equipment.

All of the employees you will find in these warehouses are people who are on the warehouse payroll.

We have another one on Broadway. The lease covers 1500 square feet. There the man takes the order, sells the goods, packs the goods and the warehouse company delivers it.

Down on Ferry Street we have another one of the carpet people. And in this particular case it was the parent company that occupied the entire floor and in approximately the center of the floor they erected a partition and stored their carpets in there. However, they had machines in there

for cutting and binding this carpet.

We have one down on South Street and this we didn't find out until a little bit late, but we have a warehouse company that leases property. This warehouse company is a subsidiary of a factoring company and whenever the factoring company has to take over a stock of goods the warehouse company comes along, very conveniently, and brings along a couple of more articles that probably belongs to their brothers.

Now, on Vanderpool Street we have a television factory, a very large television factory. Their books indicate that they have an inventory of \$1,458,307, and they have taken part of the building and they have cut through an archway in the wall and set up a warehouse company.

Back a few years - you had one of the speakers here before you last week - we had a warehouse on Frelinghuysen Avenue. In the building - there's a bank on the corner and in the rear of it was a building in which we had a steel company. This steel company, all of a sudden, on September 30th - all the employees were taken off the steel company's payroll. On October 1st they are on the warehouse payroll. There wasn't a single change in the operation or the running of that business. I will say, however, that that has been cleared up.

Here's an exemption from a lumber company, and in their exemption they say that they have office equipment, wood planers, saws, and accessories. And they give us the cost of these saws and the depreciations. These are not theories, these are sworn statements. I have copies here

that I can leave with you.

Now, you have heard a lot about what it's going to cost and how it's going to drive out the warehouses. And this last year I have been successful in obtaining a sworn statement from one of the so-called warehouses in which they tell me their inventory was \$113,892. Now, I have assessed it at 12½% on the inventory which would produce a value of \$14,238. And assuming the tax rate is \$10.00, which is probably the highest it would be, they would pay \$1423.80. This particular one - and I have their sworn statement with me, if you want to look at it, - tells me they do an annual volume of business of \$10 million, which is equivalent to one-seventh of a mill on their sales. Are we going to chase them out? On a \$7,000 sale they are going to pay a dollar. And if their business is that type they will go bankrupt because the least little bit of inflation and they will go the other way. So that's how you are going to chase them out.

Now, I am going to take you down to our Port Newark. And I would like to leave with you these pictures - and I don't mean to be a circus in doing it.

These pictures were taken last Friday afternoon. So it isn't something that's been collected.

On the back I have numbers. Now, the first one - we will take number one picture - you see the machine in there? you see the lumber? and you see them rounding the lumber.

Picture two, - this is all the one concern - and this case, by the way, was decided by the Supreme Court -

this shows you the pre-cuts of the lumber. In other words, it's for pre-cut fabricated houses. And they are warehouses.

In the next picture you can see them turning up - in number 3 - the lumber. You see the truck and the men working there. And you will also see the machines that are planing it. This is all rough timber that comes in off the boats. The boat delivers it to the dock and it's all rough timber.

On picture 4, I show you more machines on which they are cutting 12 by 16's down to 12 by 8's.

Now the most interesting one you are going to see is - if you take 5 and 6 - if you will take 5, this particular company has been tax exempted; 6 is its competitor, next door to it, and pays taxes.

Now on picture 7, you will see it's open storage again. This is teak wood. They have a little sign, you can't see it too well in the photograph, there's a chain fence going around there, and they have a little sign there that is 2 inches by 6 inches on which it says, "This property is stored in a public warehouse."

Now, I call your attention to the lefthand side of the picture, over at the freight cars, and see the size of the person that's planing. Now, as you know, you probably read in the paper, at least over this week-end I assume you did, that in Newark we are getting a lot of imported cars. And in this last week-end's paper there was a story about 1100 cars coming over in one boat. That's helping our economy because the people in Detroit are being laid off. So we mustn't touch this type of industry; we must give them

tax exemption.

Now, if you will notice on picture number 8 - and I have cars from all over the world coming in - you will notice there are no hubcaps on that and there are no headlights. That is the way the cars come in from the other side; there is a reason for it because in European countries they use mostly candles, which we don't do here.

Now, if you take the next picture, picture number 9, the client in the City of Newark has already put headlights on them and hubcaps.

Now, in the last few years there was a case over in Hudson County about the mixing of gasoline. On picture 10, I show you a picture of the oil company. This is a warehouse. This is not taxable. The picture indicated on the tank tells you that.

Now, this is what warehousing is and if you don't do something about warehouses in the next ten years you are going to have no taxes on personal property because there isn't a factory in the City of Newark that I can't step out to and with a lawyer set them up as a public warehouse, because in all these cases the processing of the goods has been going on just the same, it hasn't stopped. They are leasing buildings under the guise of storage and the rent for square foot, in comparison to other buildings, is pretty good. For example, a building in Newark might rent for 55¢ a square foot, but you won't find a warehouse based on that rate.

Now, those are my remarks on the warehouses. Before I discuss the other bills, I would like to give you a

picture of the problem in the City of Newark. During the past year or so I've had a revaluation of the City of Newark. And in that revaluation, and comparing it with the present assessment now on the books, I find that if I use 50% that the homes are going to pay \$2 million more; and the service buildings and the other buildings are going to come down \$2 million.

Now as I go on further with the picture I am going to ask you about the homestead exemption. I want you to bear in mind my problems.

In the City of Newark - one to four families - I have 35,705 of them, and the commercial buildings and apartment houses - I have over 11,000. Now, I am not going to agree with Joel Jacobson that the commercial buildings should have their taxes lowered because, as you talk about classifications- and the Committee and most people are opposed to classifications - every day in the year we are using classifications because when we capitalize a building not only are we guaranteeing a return on his money but we are guaranteeing him a ceiling on taxes because in our capitalization approach we cannot use taxes greater than what the value would indicate he should pay.

Now, you don't have that on homes. In homes you have personal likes and dislikes. I may pay a thousand dollars more for a home because I want to live near my sister or my children. Homes are a personal whim and most people make the mistake, especially the likes of us, of saying "we buy homes;" we don't, our wives buy them. And

you know that that home was bought because the color of the bathroom might appeal to them, the layout of the kitchen. It's a vanity value.

So we go into income capitalizations and we give them classifications. And everyone that I hear around here says that you can't have classifications. The courts recognize it on this particular type of property.

Now, in Newark we have \$147,338,000 of personal property tax, and the average salary - and I am talking about the gross salary - of the people living in the City of Newark is approximately \$100 a week.

Now, on Assembly 81, most of this bill we believe is fair. There are a few things in the bill that we would like to see changed. When you come to inventories you have one class of inventories. Sound economics says there are two classes. One is in raw materials for production, and the other is the inventory that is held for sale, as we like to call it, to service stores and the material that's made.

And I would like to explain to the Committee my thoughts on what makes the City go. Industry is very important to any city or county; secondly, it's homes; and third, your stores. And as you will recall, in any development throughout the entire State of New Jersey you never found an Acme or a Grand Union or an A & P open up a store until the development was already completed. They are not pioneers. And all the service stores are built on coming in and taking the cream off the top of the milk. And that's one of the reasons why we believe that our industry, which gives us

employment, - we are willing to accept 12½% on the inventory of an industry. On the service stores, we believe they should pay the same as any home or any factory on machinery. They certainly are not a preferred group when it comes to civic interest. In your own town you may run into the condition of a national store whose business has dropped down and they put the key in the door and walked out and paid the rent.

Now, in this particular bill, - I think it's page 10, line 13, - you have penalties. Now, everybody looks for power but I think the power given the assessor in this particular bill is ridiculous. Without reading the bill, the bill goes on to say that if the taxpayer does not file a return by January 1 the assessor shall penalize him 25% of the tax that he has reason to believe is due.

Now, I'm not objecting to the penalty clause. I believe there should be a penalty clause but I would recommend to this Committee that the penalty clause read that the assessor shall increase his previous year's assessment in the amount of 25%. I don't think that the assessor should have that discretion, and I don't think he should be subject to the pressures which you and I know he would have.

Now, in the closing part of that particular paragraph you add that the assessor may abate the penalty in whole or in part. I don't think that that should be in the bill. I would rather see the penalties read "shall" and no power of rebate given to us.

Assembly 82 - the only recommendation I can make on that bill is that I would like to see the bill, in its first

paragraph, amended so that the Registrar of Deeds would be unable to record the deed unless or until the documentary stamps are affixed to it.

Assembly 84 - pardon me, I am calling these Assembly bills, they really are Senate bills. Senate 84 - this provides for the household personal tax exemption. You have it over a three-year period. I believe it should be one year and it should take effect the year that this new ratio will take effect because in most towns it is going to increase their ratables and won't be felt. On the other hand, in most towns in the State of New Jersey - and some of the towns that are opposing the exemption on household tax, I can't understand where they will lose anything because today they are mostly the one-family homes, and the only difference today is that they are giving John Jones, the owner, a real estate bill and a personal bill and John Jones has to pay both of them. So when you take off the household tax the difference will be picked up on his real estate and the result will be that the town or the city or village will only have to render one bill instead of two bills.

Now the only ones, in my opinion, who should object to the exemption of the household tax would be the cities in which there are multiple tenancies. And you will find that the larger cities, where you will find these multiple problems, are all in favor of doing away with it. "We don't know how to assess it; we can't get into these places; we can't collect it." So, it is actually a waste of time and money for all concerned.

Senate 85 is the gross receipts bill, and that we approve.

Senate 87 is on liability, and that we approve, although I believe that there is sufficient power today in your statute for any delinquent person because there is a section in there in which the collector can even put you in jail. So I don't understand why you have that bill at all.

Now, the City of Newark's position on all of this legislation - summing it up in a few words - is as follows: If we are making changes -- first, let me put something in, before I lump those up, on homestead exemptions, your two homestead exemption bills there. The City of Newark is in favor of Assembly 418 which gives local option. We don't want to force it on anybody who doesn't want it. We do recommend that Assembly 418 be amended or the necessary statute be amended so that, in apportioning county taxes, the gross value shall be used rather than the net value. We want to be fair. We don't want to take unfair advantage of anybody.

Now, if there are any major changes to be made in this legislation - and I hope you don't make a major change because, of necessity, you are going to force the City of Newark and other cities like us to do something we don't want to do, and that is to make a choice of two evils, - if there are major changes in this bill, the City of Newark and other cities like us are going to have to go out and fight and drive for Assembly 350. Now, we don't want to do that. But if you are going to make major changes - as you can see, in the City of Newark we cannot take the shift to our homes. And unless we get our homesteads and unless we get our warehouses, we of necessity are going to have to accept Assembly 350.

That about concludes my remarks on the legislation before you.

CHAIRMAN DUMONT: Now, Mr. Hunt, on 86 - and I won't refer to it as either Senate or Assembly because the numbers are identical in both Houses - you will recall that when you testified last summer in Newark, and I might say that everybody on this Commission who heard your testimony was greatly impressed with your directness and opinions about all of these things because of your experience and background and, while three of us are actually named as sponsors on 86, three in the Senate and three in the Assembly, it might be more accurate, assuming you were a member of the Legislature, if you were named as a sponsor because largely the suggestion came from you and we were impressed with the suggestion; otherwise, I don't think that probably the bill would have been introduced.

Now, much of the opposition to it has been on the basis that the amount of money that might be anticipated from removing a portion or most of the present exemption granted to personal property stored in public warehouses would be offset by perhaps the loss of business that might leave New Jersey for another state where the exemption is complete. You made a statement in the beginning, as I recall it, that you didn't know just how much or whether there would be a great amount of revenue obtained if a portion or all of this exemption were removed.

Now, in your opinion, would the amount of income, for example, to the City of Newark which you might realize from the repeal of this present exempt-- would it amount to more than you might possibly lose in the way of business and jobs in the City of Newark. Or don't you have the fear that the business would be moved out of the cities?

MR. HUNTER: Well, I thought in my opening remarks that I stated that revenue was not the main object of this

legislation; that it is fairness to our industrial concerns and our industries. I showed you two particular cases in which properties are adjacent to one another and one gets exemption and the other doesn't and the only difference in that particular concern was that every one of their employees was turned over to the warehouse company, with the same manager, the same shipper, and everything else. They are all there and there has been no change in that particular one that got exemption outside of instead of getting paid from the lumber company, they get paid from the warehouse.

Now that can apply to practically every industry in the City of Newark, and in last week's talk somebody spoke about that we have sufficient grounds now for taxing because of the recent case up in Passaic County. If you recall, in the Passaic County case, there was no evidence to show that they stored for anybody other than that one taxpayer.

CHAIRMAN DUMONT: Well, that was the next thing I was going to ask you about, because the argument has been made that this decision involving the City of Passaic would resolve the problem without any legislation being required. Senator Robert Crane, who has come in now and who is a member of the Commission, passed over to me a photostat of the Local Property Tax Bureau News issue of February 1959, a copy of which I also brought along, which leads off with the headline, "Public Warehouse Exemption Law Sharpened by the Supreme Court," and then it makes this statement: "The court said if the taxpayer stores his property in a well-established or newly-created public warehouse, genuinely created or operated as such, it is

entitled to the benefits of the statutory exemption. On the other hand, if he stores his property in a warehouse created or operated for his own private convenience and not genuinely operated as a public warehouse, then the statutory exemption must be deemed inapplicable for here the statutory objective is not being served and no justifiable basis exists for favoring such personal property as against personal property stored at premises of taxpayers generally."

Now if that is what the court meant in this decision, do you think that that would satisfy your problem, or do you think you still need legislation?

MR. HUNT: In that particular case, there was no evidence to show that he stored for more than two or more people. That is like a private warehouse, only that I am managing it for him. In the photographs that I placed before you, - the court says that even though the warehouse company was a wholly-owned subsidiary and wasn't in existence 10 days before the assessing date - in that particular case they showed that they stored certain boxes for John Jones, certain boxes for Sam Smith, and 99-44/100 per cent of that area is occupied by the main company that formed the company.

So, are we going to be fair to our industry? Now, let's analyze - are they going to move out? As I pointed out, the only company that's filed a return, they will pay one-seventh of a mill on their sales. Now, let's assume for argument's sake that one of these companies should move out ten miles, north, south, east or west. The extra charges will more than eat up the tax dollars. They spoke

to me. They said, "Well, the Bush Terminal is available." If you gentlemen go to Bush Terminal and I'll go from Port Newark, and I'll be in White Plains before you.

Now, transportation is a big cost. Transportation is costly because you have labor plus your fuel. Now, what employment do they give us? In the case of the automobiles, they have two men, and in most of these warehouses they have nobody of any account like you have in a factory. We'll have a factory with two, four, or five hundred employees and a factory will have part of its building set aside for storing, for a warehouse. You will find three times as many employees as you will find in a warehouse over the same area. And if you are inclined to exempt this type of personal property, then I say to you, "exempt all personal property."

Now, let's be honest. Don't make thieves out of people - because all they have to do is to go to their lawyer, draw up the necessary papers, do a little business and turn their employees over and they meet the requirements of the statute according to the way it's been interpreted, - and at one-seventh of a mill. In other words, if they do \$7,000 worth of business - and many a grocery store or candy store in your particular neighborhood doesn't do \$7,000 worth of business a year - on that they pay \$1.00. If that's going to break them, then I think we're wrong, because if you were to go into a place tomorrow - if I was to go in to see one of these lumber people and I was a prospective \$7,000 purchaser of lumber, I'll make you a bet that if I was walking out they would give me 5 per cent or 10 per cent

off rather than let me go.

Now, New Jersey has got locations. You'll hear stories about how they'll move to Philadelphia, they'll move to Baltimore, and they'll move to Bush Terminal. First of all, you can't get into Bush Terminal. Bush Terminal is loaded. But let's assume that those things work. Bear in mind what it's going to cost them in the extra cost of transportation and don't forget that while New York doesn't have a personal property tax, they have a use tax which we don't have, an occupancy tax. They don't pay anything in New Jersey. A warehouse today pays on its building - period. And a warehouse building can be a shell. You don't need heat in them; you don't need refrigeration; you don't need air conditioning. A lot of your warehouse buildings may be 40 feet to the ceiling. And as to the tax dollars, I have read the statements where they say we'll lose millions and millions of dollars. I invite them to be specific; I invite them to give to this Committee the payroll of the warehouses in the City of Newark; and for the volume of business they do, I wouldn't bother checking it. I'll take one plant, the Celanese Company or Ballantine's or Anheuser-Busch, and show you that they pay more taxes than all of them put together. Certainly, they have a lobby; they have a strong lobby; but bear in mind that the people are a lobby too. Are we going to go after these warehouses and after these taxes because our lives depend on it? - not my life, because I'm old enough to retire.

These pictures were obtained on Friday for the purposes of making up a brochure. The people in the City of

Newark are not going to take exemption on warehouses. It's been very well put out. Those who come from Essex County know that last September I spent every night in the month, in three different schools every night. I know what our tax problem is in Newark; I know that when our taxes are \$552 on a six-room house and they are making \$5200 a year gross, they can't keep that house. But the warehouses, they don't pay any taxes. I am wondering if I shouldn't buy a pair of dark glasses and a cup and take up a collection for them when they have to pay one-seventh of a mill on their sales.

Now, I am not going to be insistent on the fact that they've got to be inspected. I am willing to base it on 5 mills so it would be uniform, but it's like you or me - even though we're not paying anything now, we are going to fight like the dickens to still stay in that same category. It isn't whether it's fair or not, - "I don't want to pay any more." That's their attitude. And this warehouse bill is going to be the crux of whether or not the shift in the tax burden in many of your cities is going from commercial business and industry on to your homes.

In these cities, like the city of Newark, for instance, where there has been a lot of effort placed upon rebuilding the city, - you can't take that away from homes. These industries, the warehouses there, all of them are gaining from the land that the City of Newark owns. Bear in mind that the City of Newark owns Port Newark, and bear in mind that the City of Newark consists of 16,435 acres. That's the total area in the entire city and there's less than 30 per cent of

that area today subject to taxes. Port Newark alone is 2,840 acres which is under lease to the Port Authority, and I don't have to tell you that we don't get any taxes from the Port Authority. And, furthermore, you will find if you go out - and I would suggest if someone has the time you go out to the tenants in some of these warehouses and you will find that they have been inducing these people to enter the warehouses by telling them that they will not pay any taxes.

I'm not asking you to take my word for it. You can have any investigator, or anybody you would like, go out and find that the facts I put before you are true.

The reason I took the pictures was that I didn't want you to say that we stretched it a little bit. Those pictures were actually taken last Friday and every warehouse that I have spoken about, their representatives here today will tell you that I had those inspections made last Friday. So none of this is theory. That is actually what we found on Friday of last week.

CHAIRMAN DUMONT: All right. Then you believe that in order to carry out your job, so far as Newark is concerned, we are going to have to have legislation aside from this court decision?

MR. HUNT: That's right. For example, take the first building I mentioned. There are 8 floors used by one company but there are tenants on the other floors. To me it's no different from a mill type building, in which I would go in and rent a floor to you and a floor to the next Senator.

CHAIRMAN DUMONT: Do you also approve of this bill 86, the way it is written? Have you a copy of it?

MR. HUNT: Yes, I have, Senator. You will notice in all the warehouses I spoke about I didn't bring up refrigerated warehouses. I don't want you to think we haven't got any, but they run pretty well according to my interpretation of the statute. You have in there "perishable goods" and I'm wondering if that shouldn't be spelled out, because what we used to think of as perishable goods years ago are no longer perishable. Vegetables today come in cans, a lot of them, and they are frozen. The only thing that you'll have that might come under "perishable goods" would be the fresh vegetables which you might find in a store. But so far as warehouses are concerned, I don't think any of this is perishable today because we happen to have a refrigeration plant in the City of Newark in which they store for probably 20 or 25 people, and I don't think, unless the equipment goes bad in that particular place, that any of that goods is perishable.

CHAIRMAN DUMONT: Well, the argument made by some people, for example, Mr. Seabrook of Seabrook Farms, is that frozen food is perishable; that it is a perishable item because if you don't keep it frozen it's going to be destroyed.

MR. HUNT: Well, Senator, if you don't eat, you're going to die.

CHAIRMAN DUMONT: I agree with that.

MR. HUNT: That's their business - frozen goods.

CHAIRMAN DUMONT: We are trying to figure out just what these terms mean here. Let me ask you this: Do you think that personal property not held for resale should be better defined, rather than just mentioned as such property in this bill? Do you think there ought to be a definition of what is meant by personal property not held for resale?

MR. HUNT: Well, I don't think there is any personal property not held for resale. It may not be for resale in this particular region. I would rather see you pass a statute, for example, and probably broaden it out to really keep the spirit of the warehouse statute. You hear them all talk about it but, if they go back to the year 1925 when this statute was adopted, the purpose of the warehouse actually was for the storing of goods while it was stopped in transit, not to make a sales and distribution office out of it. In some of the sworn statements that I have, they tell you that they are wholesale distributors, - and if the Committee wants any of them, they are available. I have as many copies as you will want and they are all sworn to.

SENATOR FOX: Mr. Hunt, I would just like to get a couple of answers for my own information. Taking, for instance, the Port of New York, - and New York State has an exemption, I believe, as does the Port of Philadelphia, - would you say that the use and occupancy tax that they have in New York would act more or less as a counter to the imposition of a warehouse tax in New Jersey, so far as the two ports are concerned? Do I make myself clear on that?

MR. HUNT: In other words, if we adopted a use and occupancy tax.

SENATOR FOX: Yes.

MR. HUNT: Well, I am of the opinion myself that personal property has no value unless you can sell it and I would rather see anything on personal property tied in to the volume of business that they do; for example, one of my stock arguments has always been that you can possibly have two machine shops next door to one another, each with a hundred thousand dollars' worth of machinery - one is going 100 per cent and the other one is only going 50 per cent. Under our statute both of them are assessed alike. Well, I think that's wrong, because the man who is only using his plant 50 per cent certainly can't afford to pay.

SENATOR FOX: Well, of course, what you say may be true but I don't think that answers my question, which is a simple one and one that I am very much interested in. If we were to repeal the exemption in New Jersey, the statement has been made that New Jersey would suffer because these goods would go from New Jersey over to New York, or to Philadelphia. Now, I am deleting Philadelphia, and I ask you this - if in your opinion the use and occupancy tax that exists in New York City, as you have indicated to us, would more or less act as a counter to the tax that would be imposed in New Jersey if the exemption were lifted as between the two ports.

MR. HUNT: I am even willing to say that without the occupational tax it is cheaper to do business in New Jersey than in New York, on the transportation angle alone. Don't forget, you have to go through tunnels to get into New York.

SENATOR FOX: Then your answer would be that even with the lifting of the exemption, New Jersey would not suffer but would still be in a favorable position.

MR. HUNT: Absolutely.

SENATOR FOX: Then the phraseology as contained in the bill, and I am not inclined to agree with Senator Dumont that it might be vague - "goods or personal property not held for resale in the usual course of trade or business" - now taking that phrase as it is there - Do you have a copy of the bill?

MR. HUNT: Yes.

SENATOR FOX: Do you think that that phrase, combined with the decision of the Supreme Court in the General Electric case, would give you the tools that you are after, or that you need, to get after these chiselers? if you want to put it that way.

MR. HUNT: Well, first of all, I would suggest this, Senator: Probably the bill should be of this nature - and bear in mind that I'm not a lawyer and I don't want to usurp the lawyer's fee even though I might think they're high sometimes --

SENATOR FOX: I think you know a lot more about taxes than we do, though. I mean, even though some of us are lawyers.

MR. HUNT: I would think that probably if you repealed the statute as it now exists and then create your exemption statute on your personal property consisting of perishable goods --

SENATOR FOX: You would limit it to perishable goods?

MR. HUNT: Well, on that we don't agree. I say there are no perishable goods because they are frozen or in a can. The thing I worry about is that I happen to be friends with people in the liquor business and if I retire tomorrow I have a standard offer to make them into a warehouse, and I wonder if that would be perishable goods. I would think that if you were to repeal the present statute entirely and redraft it; for example, no matter what amendment you made, in my opinion, if you are not going to spell it out, then we are going to have the courts making legislation, which is quite common, in this warehouse thing. The courts have made this legislation. The original statute drawn in 1925 is so broad that you could run a truck through it. So here, if you repeal the present statute and you draft up a statute granting exemptions -- only I would say you should cut out your personal property that you wish to have exempted --

SENATOR FOX: On goods in transit?

MR. HUNT: Well, goods in transit will have to be exempt. I don't think this legislature can control that. We have that under the federal act and we also have the imports. I would like to change that but that's something that the

federal government has to do, and we can't do that, the imports.

SENATOR FOX: I would like to ask you this, too, and I am looking at it from the standpoint of Essex County also: You have indicated that your basic philosophy in connection with the removal of the exemption is directed to fairness in industry, if I quote you correctly, and not primarily from a revenue-raising standpoint. In that connection, the question was addressed to some of the representatives of Hudson County with respect to this same bill last week, and their attitude, and apparently it was a unanimous one, was in favor of the continuance of the exemption. I am just trying to reconcile the differences in philosophy between yourself and the representatives of Hudson, and primarily Jersey City, both of which are first-class cities and apparently have many things in common.

MR. HUNT: Well, if the Senator would permit a question, I would like to find out whether or not the person who spoke in that fashion was speaking for the governing body of Jersey City or was he talking as an individual?

SENATOR FOX: It was Mr. Leo Rosenblum, who is connected with the City of Jersey City, and also Mr. Fine, I believe, who was speaking as Attorney for the City of Hoboken.

MR. HUNT: Mr. Leo Rosenblum works for the City of Jersey City. I think, if you will read his testimony, you will find that he told you he was giving his own opinion, because in my contacts with him - and I have contacted many, many people - he is not talking for the City of

Jersey City. Herbie Fine - you know, he's a friend of mine; his office is in Newark; it's at 17 Academy Street. Herbie Fine works with Rosenblum on the railroad cases. He is not speaking for Jersey City.

SENATOR FOX: I thought they both made it quite clear that they were expressing their viewpoints on behalf of the municipalities. Now, if I am mistaken in that, I certainly shall --

MR. HUNT: If you want to get Jersey City, you will have to get Mayor Witkowski and Berry. They are the two who are vocal on this tax problem.

SENATOR FOX: Mayor Witkowski was here also.

MR. HUNT: Well, I don't think he spoke on the warehouses as I remember talking to him. Even if they did - let me point out to you that the City of Newark is of a different opinion on the whole tax structure than Hudson County, and Jersey City especially. They can't see anything but Assembly 350. We tell you it's terrible. We do say that maybe we're going to be forced to accept it, but if we're forced to accept it, you are the gentlemen who are going to make us do it. Right from the start - I think from the first hearing that this Committee had - when Assemblyman Hauser, if you remember, questioned me, I said to him, "If I could understand what you are looking for in the bill, I might go along with it." The City of Newark has always been opposed to Assembly 350

SENATOR FOX: In other words, then, you feel that, so far as 86 is concerned, the testimony of these gentlemen

was that it was their personal opinion and that they were not expressing the viewpoint of the municipalities that ostensibly they were here to represent? Now, that's not a trick question, Tom. I want to know and I know Elmer wants to know too.

MR. HUNT: Well, if you read their testimony it will tell you; in fact, the newspaper story got it. It said that Rosenblum was here as an individual.

CHAIRMAN DUMONT: Well, there was certainly a portion of his testimony about which I would agree with you completely, Mr. Hunt, because at one point he said that he was in favor personally of 100% assessing and he was not reflecting the views of anybody else in the administration, that presumably he represented, when he said that. We don't have the record yet of last week's hearing, but certainly part of his testimony was on an individual basis.

MR. HUNT: Yes, it was, and the statement in the Newark Evening News, I think, said that he spoke as an individual.

SENATOR FOX: Well, I may be naive, but I certainly didn't get the impression that he was simply giving us his own particular viewpoint and not expressing the viewpoint of the municipality, but I certainly shall correct that impression by contacting both of them individually.

MR. HUNT: The newspaper account said that the railroads and the tax expert urged delay of the program to give the State Tax Policy Commission time to spot check the impact on individual homeowners and business.

SENATOR FOX: That's right.

MR. HUNT: Well, let me be honest, I did some work with Leo and in this administration I think he is more of an individualist.

CHAIRMAN DUMONT: Are there any other questions in regard to the warehouse bill, because there are probably quite a bunch of them in regard to some of the others.

SENATOR FOX: Yes, I have also this: We received here a memorandum from the Port of New York Authority. I don't know whether you have had a copy of that or not, Mr. Hunt, or an opportunity to look at it, but I believe the representatives of the Committee have all received one. I am just wondering, if you haven't received it, if I submitted the copy that I have here, and you have a chance to look it over and read it, if you would give us an expression of your thoughts with respect to it.

MR. HUNT: I haven't had a copy of it but let me explain our position with the Port Authority of New York. I think that you gentlemen, from the Governor down, probably know that the New York Port Authority is a frankenstein of its own, and I don't think I have to expound on it too much that any views of the Port Authority are for the benefit of the Port Authority. I haven't seen their position at all but I think, after you read it, you will probably find that it's a selfish viewpoint. Now, all of us have selfish viewpoints. The only difference is, I want to point out to you, that in my case, I don't run for election; I can take the train home to Newark today and hand in my application and get a pension, but the people of Newark have fed me

and clothed me for 39 years, and my family, and I feel that I owe them a duty. Now everyone who has come before you, whether it's a warehouse or whether it's Ross Nichols, for example, or anybody else, - their thinking here stems from one source - How will it affect me? Now, with respect to the general run of public discussions on legislation, you know that the average person who goes out to work every day, and comes home and pays his bills, doesn't pay any attention to it. But if these people ever knew some of the things that are going on and they took time out, there would be no assessors and there would be no legislators, because I think they would pull a Castro on us.

SENATOR FOX: I just want to say this. I have run for election and I may or may not in the future, but let's get it straight --

MR. HUNT: I voted for you.

SENATOR FOX: I don't know whether to compliment you on that or not. If I thought that this would be detrimental to the best interests of the City of Newark, I would certainly not be in favor of it. One of the reasons why I am interested in it is primarily from the very viewpoint of the City of Newark in which the Port Authority sets forth the contemplated program to the extent of \$275,000,000 and the eventual employment of approximately 18,000 people, with an annual payroll of \$90,000,000. And in connection with that, they express their viewpoint, so far as this exemption is concerned, and indicate that they are fearful that the Ports of New York and Philadelphia might benefit from it. Now, our interest

is very much in the City of Newark and that's why I would like to get your viewpoint on this particular phase of it, particularly in light of the fact that you indicate it is primarily a revenue-raising item, so far as you are concerned, but a fair spread with respect to the industries in the city.

SENATOR CRANE: Mr. Hunt, would you hold up just a minute, please? Mr. Chairman, I hesitate to interrupt a colleague, especially a Democrat, but this letter from the Port Authority also concerns Port Elizabeth and its development. I have the same interest in an answer from Mr. Hunt as Senator Fox, because what would affect Newark would affect Elizabeth equally. Since this is such a short letter, could we have a recess for just two or three moments to give Mr. Hunt proper time to familiarize himself with the entire document?

SENATOR FOX: Well, that's what I wanted to do.

CHAIRMAN DUMONT: Do you want a recess now or --

SENATOR FOX: That's why I suggested that we have the opportunity to study it.

CHAIRMAN DUMONT: Do you want a recess now or do you want to let Mr. Hunt read it during the lunch hour and then testify later in regard to it?

SENATOR FOX: Well, could we finish --

SENATOR CRANE: Well, whatever would suit him best because I would like an answer to it. I just felt it was so brief that perhaps just a few minutes' familiarity with it --

CHAIRMAN DUMONT: Well, we all would. I don't have any direct contact with the Port Authority in our part of the State but at the same time I want to know what the answer is.

SENATOR FOX: I don't think we ought to suit our own convenience, Senator. I think we ought to give Mr. Hunt the opportunity to make the decision himself as to what he would want to do.

MR. HUNT: I will attempt to explain the development that is going on.

CHAIRMAN DUMONT: Well, now, Mr. Hunt, before you begin, would you rather have us ask you questions about the remaining bills and study this during the noon hour and then testify this afternoon?

MR. HUNT: I would like to follow the trend of my thoughts on this thing.

CHAIRMAN DUMONT: Well, whatever you want to do. Do you want a recess now or do you want to continue?

MR. HUNT: No, no, because I happened to be in on the negotiations as to whether or not the City was going to lease. You see, this improvement is between Union County and Essex County, as well as between Elizabeth and Newark. There is a creek that comes up there in which the line between the City of Newark and the City of Elizabeth takes place. Most of this development is going to be transit sheds. I would say that most of it is going into Elizabeth, and I don't see where taxes are going to stop them. The Port Authority doesn't pay any taxes, even though I would like to see them pay them. Our leases with the towns - for example, our lease with the City of Newark of close to 3,000 acres calls for a hundred thousand dollars a year rent. We're partners in the deal; we're a fifty per cent partner.

Now, assuming that taxes hurt them, they are only going to hurt them fifty per cent, because the City of Newark is the other partner and certainly the City of Newark is not trying to injure itself. These will be all transit sheds and the Port Authority will take care of themselves. I don't think they need you or me to defend them because they are doing a darned good job.

Let me point this out: They have developed the Port of Newark because the City of Newark would never have been in position to borrow the money or to pay the interest on the money during the time of development. This is another growing Authority and my children, if they are still in the State of New Jersey, are going to be ruled by Authorities, and if it comes to the point where it's going to cost them a few bucks, all they have to do is cut down their plush places in New York. Did you ever have lunch over there? My taxpayers have to go out and buy beef stew. I don't think it would bother them at all.

CHAIRMAN DUMONT: Any other questions now in regard to the warehouse phase of Mr. Hunt's presentation?

SENATOR WADDINGTON: Mr. Hunt, a number of the examples that you gave us seemed to me to be at least partially manufacturing, in addition to warehousing. Do you think that a clarification of warehousing might resolve a part of the problem that you seek?

MR. HUNT: Senator, it isn't a question of resolving a part of my problem; it's a question of whether or not we are being fair to our other people, our industries. For

example, I'll take a paint company that we have in the City of Newark - and we have several of them; we have Pittsburgh, we have the Sherwin-Williams, and we have the Benjamin Moore. I can take their plant tomorrow and set it up as a warehouse because all I have to do is get a truck and take a chair out of my house and put it into their place and that becomes a public warehouse because there are two or more tenants.

SENATOR WADDINGTON: You don't think that can be clarified sufficiently --

MR. HUNT: I don't think they're entitled to any -- only the goods in transit - the purpose for which the public warehouse was instituted - which was to help out and take care of our water, rail, and transportation. But now you are finding it in the center of the city where the only water you will find is what you'll get out of the tap. It is absolutely ridiculous in comparison to what the people in your neighborhood and in my neighborhood have to pay in taxes on their homes. And they can't afford to pay one dollar on a seven thousand dollar sale! Now, I'm not saying they all make the same thing because none of them gave me a statement except this one company.

SENATOR CRANE: Mr. Chairman, it is not that I feel that Mr. Hunt has been evasive but this matter is so important to me - this letter from the Port Authority is only five pages long. Could we of the Committee ask Mr. Hunt to please read this document during the lunch hour and grant him the opportunity of perhaps extending his testimony on the Port Authority matter after he has read it, at the first opportunity right after the lunch hour, because I would like him to more

or less answer our questioning based on his complete knowledge of the letter and its contents.

CHAIRMAN DUMONT: Would you want to do that, Mr. Hunt?

MR. HUNT: Well, may I ask the Senator on what lines he wants to discuss it?- as to the effect of its taxes or as to the effect of its development?

SENATOR CRANE: Well, Mr. Hunt, they have brought into argument all those various points and inasmuch as we on this Committee respect your views, coming from the largest city in the State, and inasmuch as this also affects the largest city in the county that I represent, I would like your complete and comprehensive view on this letter as to the fact is this bill as injurious as they envision? And it's not that I am not content with a yes or no answer but I want you to have the fullest opportunity to acquaint yourself with the letter before you answer. I mean, you may not change your testimony but I would like to at least be assured that you have read the entire letter and then base your answer on it.

MR. HUNT: Whatever you wish. I'll come back after lunch. I was thinking I'd like to know whether it's as to the development of the plot or as to its taxes and how it is going to affect other taxpayers within the City of Elizabeth, or, for example, within the County of Union. Let's take Linden, and you may have another oil company there instead of the Standard Oil Company. If you will give me some lead as to what answers you are looking for, I'll try to get them for you.

SENATOR CRANE: I would ask you to answer only the first two points that you mention. I believe the competition

with other elements of the economy is not necessary.

MR. HUNT: O. K., sir.

CHAIRMAN DUMONT: Mr. Hunt, you said that all these public warehouse enterprises, whether they be corporations, partnerships, or individuals, are supposed to send you what? - a return every year, file information with you?

MR. HUNT: No, sir. There is no provision in the present statute under which they even have to claim the exemption.

CHAIRMAN DUMONT: You mean, they don't even have to file a form with you to claim the exemption?

MR. HUNT: No, sir.

SENATOR FOX: They don't have to file a form claiming the exemption?

MR. HUNT: Not with us, sir. You can assess them and the first knowledge you will have that they are claiming they are a public warehouse is on August 15 when your county board appeals are filed.

CHAIRMAN DUMONT: Don't they have to file a form any place to claim exemption?

MR. HUNT: Not as I read the statute and read the cases.

ASSEMBLYMAN FARRINGTON: Mr. Hunt, I would like to pursue the thought that I think Senator Waddington had in mind a while ago. After listening to your talk, I have some question as to whether there is such a thing as a valid public warehouse in New Jersey which exists for the original purposes. Are there such things and, if so, would

you have any objection to exempting them or continuing the exemption with respect to them?

MR. HUNT: Well, in my opinion, a valid warehouse or, as they refer to it, "a genuine warehouse," should have sufficient protection on all of the goods in transit and as you read back in cases, especially in the railroad cases, you will find that where they change from water to rail, they could dump coal down in the Central train yard - in one of the outstanding cases - in Elizabethport and it could lay there four or five days while it was awaiting transportation by rail.

ASSEMBLYMAN FARRINGTON: So then you would have to agree with Senator Waddington's suggestion, wouldn't you, that possibly legislation could be enacted which would lay down yardsticks to provide a real test as to the validity of the warehouse to assist the court.

MR. HUNT: You have such legislation on the books.

ASSEMBLYMAN FARRINGTON: You have indicated that the courts have legislated that and you don't like the way they've legislated it.

MR. HUNT: No, I'm talking about a different act now than your warehouse. There is a statute today that exempts goods in transit, and any goods in transit was actually what your public warehouse was to cover back in the 20's.

ASSEMBLYMAN FARRINGTON: Well, you are saying then that the only valid or genuine public warehouses are those which exist and operate under that particular legislation and not those that are permitted to operate tax free so far

as the goods stored in them is concerned , under Title 54.

MR. HUNT: Let me say that some or all warehouses probably are doing the same thing, only the goods-in-transit section of the statute, the federal statute, protects them. Under our present statute enacted back in 1925, there is no requirement for anything. You or I as an individual can buy a building and store for two or more people, and there are no questions, for example, for a license. There's no way you can know about a warehouse until you hit the appeal at the county tax board, and then they set up their claim. There's nothing in the statute that requires them to do anything else.

SENATOR FOX: In other words, there are no standards established; is that what you mean, Tom?

MR. HUNT: Only from the courts. The courts have said, first, that you don't have to file; second, that you can be a wholly-owned subsidiary; and, third, you can file in the open spaces - which was the Saddle River case - and you can have employees in there. So, actually, I don't think it's possible for an assessor to prove that anybody isn't in a warehouse, as the courts have been interpreting the statute.

In answer to the Senator on my left here, if the goods are in transit, for example, coming from the West, and they happen to stop at the Port of New York for transportation into Philadelphia, to their destination, today you can protect them because that is in transit. However, if the goods come into Newark and their final destination is the City of Newark, and then they're broken up and distributed to Philadelphia, Ohio, and so forth, then that will get them out of transit.

SENATOR FOX: Let me ask you this: Under that General Electric decision, let's take some outfit that forms a subsidiary and they establish a warehouse and there are two or three concerns that store in that warehouse - they are the only ones that store in that warehouse, those two or three. Do you think the recent General Electric decision would affect them and make them invalid as a public warehouse?

MR. HUNT: No, I don't, sir. And I would call your attention to Weyerhaeuser vs. The City of Newark. In that case it says that while it's a wholly-owned subsidiary -

SENATOR FOX: Is that Weyerhaeuser?

MR. HUNT: Weyerhaeuser vs. City of Newark. And that was - well, I'll tell you my age when I tell you that, but that was back around 1946 or '47 and it is reported in 18 N. J. Misc. 560, and A.2d 224.

In that particular case you will find that personal property stored in a public warehouse is exempt, notwithstanding that bailor maintained one of its own employees on the warehouse premises, and notwithstanding that no warehouse receipts were issued. That is in that particular case. Of course, Saddle River is the open storage one in which they granted an exemption because they say the storage was included in the tariff. But in the City of Newark you will find the open storage exempt. In fact, as late as 1958, this lumber company that I pointed out to you is a new exempt property and the same identical employees that worked in September 1957 for the lumber company, the manager and everybody else, are the employees of the warehouse.

ASSEMBLYMAN FARRINGTON: Well, Mr. Hunt, wasn't the General Electric case remanded and wasn't one of the suggestions made by the court that an area investigation be made of the efforts of the warehouse in order to get in storage - their advertising? This would seem to be a new element as compared with the case which you just read.

MR. HUNT: Well, it's to be remanded for hearing. Now, unless the town or city can prove that they were only storing for the General Electric and unless the General Electric can't prove there was more than one tenant in there --

ASSEMBLYMAN FARRINGTON: Or an effort to obtain more than one tenant.

MR. HUNT: Yes, and if the taxpayer proves that the effort was made that they have two or three, I think you will find the court will give them the exemption.

ASSEMBLYMAN FARRINGTON: One more question. The cases that you mention - have they all been adjudicated? I mean the examples that you cited.

MR. HUNT: Yes, every one at some time or another has been tried. Some of these cases go back to 1945.

CHAIRMAN DUMONT: Are there any other questions now in regard to -- All right, will you please come down and identify yourself?

MR. GRISWALD B. HOLMAN: My name is Griswald B. Holman of Rutherford, New Jersey. I am a Vice President of the American Trucking Association; I have served also as President of the New Jersey Merchandise Warehousemen's Association; I have served as the President of the New Jersey Furniture Warehousemen's Association, and also of the New

Jersey Motor Truck Association.

I have several questions that I would like to ask of Mr. Hunt. I would like to ask Mr. Hunt whom he would assess for the property in storage, recognizing the fact that a great deal of goods in storage is in storage under negotiable warehouse receipts, and a great deal of the goods in storage is owned by the Government or in process of manufacture or process of sale - delivery to the Government. I wonder how Mr. Hunt would undertake to find the owners of the goods and how he would notify them of the assessment when the goods in public warehouses comes from all over the world.

MR. HUNT: First, let me take the United States Government out of the picture. The tendency has been in late years that even though machinery has been owned by the Federal Government, where it has been used in the manufacturing of its products, - I think the outstanding case was in Pennsylvania - the courts have held that that is subject to taxation, not to the owner, which is the Federal Government, but to the lessee or the user of the machinery. I don't think that there's too much of a problem in locating the owner when I point out to you, for example, that eight floors of a building are used by one company.

Now, 1100 automobiles came off one boat. It's all one owner. A boatload of lumber comes in - maybe 5 million board feet of lumber. It's one owner. We're not going to have a problem. We don't want to assess household personalty that will have to be placed in storage because of somebody breaking up his home or somebody moving to some

other part of the country. We have no intention of looking for that type of legislation, but we have the intention of looking for legislation which will insure that everyone who is going to compete with any and all of our manufacturers or our distributors will be placed on the same basis. We don't want to give them a competitive edge over and above our own children, who are the people who make up our city government.

MR. HOLMAN: In my experience, one of the most troublesome matters in transportation, and I have studied transportation all my life, is the question of ownership of what is being transported at any one time. The ownership of a shipment might change 40 times between the west coast and the east coast, and I believe the same thing goes for the ownership of goods in the warehouse. I am sure that it would be most difficult to ever establish the ownership currently or at the taxing time of a particular shipment.

CHAIRMAN DUMONT: Well, now, are you going to ask questions of Mr. Hunt, or do you want to make a statement? If you want to testify, you can go on later, but if you want to ask questions you may proceed to ask questions.

MR. HOLMAN: I still pursue the question of how is the ownership going to be established when no ownership is established even with the warehouse business?

MR. HUNT: Well, I would assume that the men in the warehouse business are pretty good businessmen; I would assume that they keep records, so that all you have to do is to check the records in the warehouse and they will have the ownership of that property, and the warehouse would be

subject to the power of subpoena the same as anybody else. And while property is sold while it's in the warehouse, it is immediately shipped out as soon as it's sold, and the only place that you will find to any extent that warehouse receipts are sold is mostly in the taxable items. For example, going back to liquor again - lots of liquor is stored in what is commonly called "in bond," because there the distributor or the wholesaler does not have to put up the tax with the Government as long as it stays in bond, and still it's near enough to his facility that he can obtain the product within a few hours. But otherwise, in the City of Newark there isn't too much selling of warehouse receipts, and I don't think it's true anywhere else.

Now, in the shipments that come into us from over in Europe, - for example, going back to cars which I made a study of - there were 1100 cars shipped on a boat; they were shipped to John Jones in the Port of Newark. John Jones, while the boat is coming across, will have disposed of those 1100 cars to probably 200 dealers. But John Jones will be the assessable party because as soon as it hits the dock, it's his property. It's sold on the way over.

MR. HOLMAN: One more question of Mr. Hunt: Would you tax a boat that is stored in a boatyard?

MR. HUNT: I'm assuming that the boat is registered in New Jersey; in other words, that the boat's home port is in Newark, New Jersey. Am I right?

MR. HOLMAN: No, not necessarily.

MR. HUNT: Well, if the home port is not in Newark,

New Jersey, there is nothing I can do about it.

MR. HOLMAN: Even though it is stored in a public boatyard, either for sale or not for sale?

CHAIRMAN DUMONT: Well, now, how does that exactly tie in with the question of goods stored in a warehouse which is physically located on the soil of New Jersey. I don't quite follow your question there.

MR. HUNT: I don't follow you either.

MR. HOLMAN: Well, it seems to me that there are numerous boatyards in New Jersey.

SENATOR FOX: Are you voicing an opinion or are you stating a fact?

MR. HOLMAN: I can state as a fact that there are numerous boatyards in New Jersey.

MR. HUNT: If you will ask him the question as to whether he has reference to boats that are registered, as all boats in the water generally are, and out of the cases in New Jersey a boat that's in the water, and assuming it's within the 12 mile limit, is taxable at its port of registration; in other words, if a boat is registered in Connecticut and it's located in Port Newark, it's not subject to New Jersey tax. Now, as to a boat that's in the warehouse and is not registered, it's inventory.

MR. HOLMAN: Well, I would ask, would you tax such a boat if it's inventory?

MR. HUNT: Certainly, I would.

CHAIRMAN DUMONT: Before you go, let me ask you one question. Mr. Hunt said that under the statute, as he

interprets it, there is no requirement that anybody, any public warehouseman, file any kind of a form to get this exemption. Is that correct?

MR. HOLMAN: Correct. The statute, as I understand it, is an exemption of the assessment of taxation on personal property stored in public warehouses. The statute does not refer to the warehouseman in any sense.

CHAIRMAN DUMONT: So over the years, since 1925, no public warehouseman has had to file any kind of form with any level of government or any government official to get this exemption and thus has had to file no information either to get the exemption. Is that correct?

MR. HOLMAN: That is correct. The exemption does not run to the warehouseman, the exemption runs to the property that is stored in the warehouse.

MR. HUNT: Senator, I think you got the wrong impression there. When they go to appeal, the owner of the goods must prove the factual condition and the way the property has been held, and they don't have to file a sworn statement with the Assessor, but it's very common, in filing their appeal with the county board, that they do attach an affidavit on which they claim exemption, with their appeal. It's part of their appeal.

CHAIRMAN DUMONT: Yes, but are they required under present law, Mr. Hunt, to file such an affidavit with the county board?

MR. HUNT: No.

CHAIRMAN DUMONT: Either they may do it or they may not do it, whichever they desire?

MR. HUNT: That's right.

ASSEMBLYMAN FARRINGTON: This results only when you assess them and they appeal it.

MR. HUNT: Oh, yes. If they don't appeal it, there's no need for an affidavit.

CHAIRMAN DUMONT: All right. Any other questions of Mr. Hunt? Now this is on the warehouse phase. Mr. Yauch? Is this going to be a question or a statement?

MR. YAUCH: A statement.

CHAIRMAN DUMONT: Then I think that you ought to hold your statement until later on, because we have many other questions to ask of Mr. Hunt. If you want to ask him a question, go ahead.

MR. YAUCH: I had in mind that a more useful purpose would be served by the Committee's hearing out Mr. Hunt's views and then my attempting to give my views on what he has stated.

CHAIRMAN DUMONT: Well, you are on last and you will have an opportunity this afternoon at the latest to do that. At the present time we are confining this to questions of Mr. Hunt. Now, does anybody else have a question on the warehouse phase? (No response.)

Now, Mr. Hunt, a few other things here: You talked about Newark's approach or that you are about to approach a percentage of 50, at least in regard to real property in the City of Newark. Is it your feeling that 50 per cent is right or do you think that's high and would you feel that 40 per cent would be better, or do you feel that 50 per cent is better?

MR. HUNT: Well, actually, whether it's 50, 40, or 60, it isn't going to make much difference as long as it's equal, outside of these two considerations: Fifty per cent will justify our bonded indebtedness and will allow us some room for borrowing money in order to rebuild the city. If it's a 40 per cent assessment, then we no longer can borrow money to develop the city or to build its schools. Now, on the other hand, you are going to have the problem in towns where the argument will be that by using a 50 per cent, and even a 40 per cent ratio, you are going to expand the borrowing capacity of that entire town. And, to me, it looks like the people in these towns have no confidence in themselves because they feel that their board of education or their governing body is just going to go on a spending spree. Well, they hire us, and if you hire somebody you can certainly fire them. So I think they can be controlled and that today they're a little bit over-nervous about anybody going on a spending spree. I think that probably 50 per cent is going to balance out those who may be short on borrowing capacity - for example, like in some parts of Hudson County and some parts of Essex County - I imagine in Union, probably Elizabeth - but all of your metropolitan cities I think are going to be better off with a 50 per cent. So I would recommend the 50 per cent.

CHAIRMAN DUMONT: That's because they are either already at 50 per cent or about to go there, or even higher than 50 per cent. Is that correct today?

MR. HUNT: No. The ratio is established by Local

there are various other things in it. Now when you go into an investment property, when they go to an appeal or even when I figure it up myself - we will take the gross income and then we will take off all of the expenses that are necessary for the operation of the building, and that comes down to what we call a net return of capital before depreciation and taxes.

So when you go to capitalize your building, which will cost a couple of thousand dollars but a child in school can do the long division example, what we do is, if you are working for the city, we will take 6 per cent and you are allowed probably 2 per cent, or 40 or 40 year life, whichever you want to use, - there are two methods of doing it, - and then you will cut down your tax rate of your particular city. And if we are on a 50 per cent ratio, then I would use, like in the City of Newark, 50 per cent of my tax rate and I would divide it into the moneys that are left, and that determines the value; in other words, on that value the man can depend on getting a six per cent return; he can depend on getting his principle through depreciation back over a given number of years and he can depend on the fact that his taxes are not going to exceed that.

Now, the trouble with that, as I find it, is that it throws you out of the market. For example, in Newark recently you might have read about a bank building that was bought. And you take, for example, in most of your apartment houses, wherever the federal government is involved in it either through a GI or through our 608, as we call our apartment

houses - with the 608 you can spend six million dollars in putting up a building and the day it's completed you won't get a million dollars out of it, and still on a building in a private investment you'll get less, because in 608 they have a longer term of paying off their mortgage; they may have a better break in the interest and amortization. It's a misnomer, and I find from my experience that in these commercial buildings nobody buys on capitalization; we buy on equity. For example, if I have an apartment house tomorrow and I call a gentleman to invest in it and I tell him he has to put in ten thousand dollars on probably a ninety thousand dollar mortgage, there's only one thing he's interested in - "When am I going to get that ten thousand dollars back?" So the financial terms today are very important in selling a building. You will notice in that building sold - the Federal Trust. The mortgage is \$1,850,000. I have an appraisal even made by the city that doesn't establish that fact, and the appraisal by somebody who was representing the bank before - in fact, the county board has reduced the assessment terrifically based on his appraisal - and capitalization is an unfair way; in other words, if the tax dollars go up in a city or a town, the homeowner has got no alibi; he's just got to take it, while the owner of investment property gets protected.

ASSEMBLYMAN MATTHEWS: Doesn't that point up the fact, too, Tom, that this investment property follows the economy, while the poor homeowner in a time of inflation or a time of recession still gets stuck with the same old

tax bill, based on what his property would bring between a willing buyer and a willing seller?

MR. HUNT: Oh, definitely. There's no economics involved in the home outside of the salary the person may be able to make.

ASSEMBLYMAN MATTHEWS: I think perhaps that might be the most powerful argument in favor of that homestead exemption situation.

SENATOR WADDINGTON: Mr. Hunt, you've been very patient with us. I don't want to prolong your period here unduly. I have two questions, one of which you have already partially answered, but I would like your opinion on this: The State Chamber of Commerce and others have suggested, instead of 50-50-12½, that the bills be modified to 40-40-10, and one of the reasons, as I recall it, that was used was that if this is closer to the statewide average, there will be smaller changes for everybody throughout the State.

MR. HUNT: I assume that's on real estate too, am I right, Senator: 40-40-10?

SENATOR WADDINGTON: Yes.

MR. HUNT: It doesn't make any difference. I can't understand it. Because whether it's 40-40-10 or 50-50-12½, the same tax dollars are coming out, with the same mechanics. Yesterday afternoon the assessor for the state had it and one of the things we were discussing was the difference in the index figure that we will have to use. In fact, when the assessors come before you later they are going to have some suggestions to you on adopting a basic year. Whether

it's 40 or 50, the only difference it will make is that instead of taking a cost figure of '54 and adding 1.6 to it, which is approximately the difference between '54 and today's cost of masonry and steel, and then dividing it; taking 40 per cent of it or 50 per cent of it, it isn't going to make any difference, outside of the bonded indebtedness, that's all.

SENATOR WADDINGTON: Then reversing this, you would see no objection if this committee were to amend those bills to 40-40-10?

MR. HUNT: Except the bonded indebtedness.

SENATOR WADDINGTON: Of the City of Newark.

MR. HUNT: Not only the City of Newark - others. There's no meaning to it. To me, it achieves nothing because no taxpayer is going to save a single dollar by it, and if everybody in a town is at 50-50-12 $\frac{1}{2}$ and you take that same town and change it to a 40-40-10, the bulk of them are going to pay exactly the same dollars. The main thing in all of these bills, I think, is the equality we are going to have to use on the property. The tax rate may go up - when you go to 40-40-10, your tax rate will go up, and assuming that you are at 40-40-10 and you go to 50-50-12 $\frac{1}{2}$ then your tax rate will come down but the tax dollars will come out of there just as sure and the same as they were.

SENATOR WADDINGTON: It's dividing 10 into 10. I had that discussion with the warehousemen a week or so ago.

My second question: If I understood you correctly, you said that unless Newark gets homestead exemption, Newark will oppose these bills. I take it from that that you

believe the homestead exemption will maintain the status quo in Newark in so far as total taxes on the homeowners are concerned. So my question is this: If the homestead exemption were permitted, on a permissive basis, wouldn't this possibly add or at least permit a substantial additional shift of the burden in some municipalities? So that for all practical purposes would this in a new form continue the so-called tax lightning that is a great fear apparently of industrial people now?

MR. HUNT: Tax lightning, Senator, and I think you might be a little bit younger than I am --

SENATOR WADDINGTON: Tax lightning is concerned with inventories, I know.

MR. HUNT: I have been concerned with tax lightning for a good many years. I happen to be the one who went in on three hundred million against the Standard Oil some years ago, and, by the way, I did pick up a two million dollar check. If you have uniformity in your law and with your state supervision, you are not going to have tax lightning because they are all going to have to obey the same rule. Now, we are not going to be perfect, no matter whether it's full time or part time, and this Legislature and the people have got to understand that if you want some degree of authority and an honest degree of authority, you are going to have to have county assessors or regional assessors, because today you have five hundred and sixty some odd towns in the State of New Jersey. You've got 560 minimum assessors - they're over 900 - but when you get 500 people thinking, it's impossible

to get equality. I don't see any tax lightning. Tax lightning was the thing that was in when we had intangibles, but don't blame the towns too much for it. There were a few sinners among the taxpayers too.

SENATOR WADDINGTON: Maybe I could make myself clear. I'm thinking of a small municipality which has two kinds of taxpayers. For theoretical purposes, let's say they have a group of homes which are worth \$10,000 and so, if we used the 50 per cent, they would be assessed at \$5,000, and they have one industry. Wouldn't it be possible then for this municipality to adopt a \$5,000 homestead exemption, eliminate all the taxes on homeowners, and shift the entire burden to the industry? This, I realize, is an extreme illustration but it's the thought I'm trying to get your opinion on.

MR. HUNT: I don't think I have advocated any such thing as discretion being given to any taxing district to determine the amount of the exemption. We are advocating Assembly 418, which was sponsored by Assemblyman Matthews, and in that exemption it only allows \$2,000, and if we went to 100 per cent then we would look for more, but when you stop to consider you are going to use a 50 per cent value, assuming that's what we are going to use, in your particular case he's still going to pay on \$3,000.

My suggestion is that you make a study of your town. Now, you heard Joel Jacobson before me talking about homes in the City of Newark, two and three thousand dollars. I turned to someone on that and said, "They must be down in the meadows; they must be sheds," because there's no such

thing in the City of Newark, and I don't think there is in most of the cities. So you would have to take them the way I've done it. The way I've tried to be fair with other towns is, I tell them, "Take it and apply it to your particular town." Now, if the investors and commercials are now paying 50 per cent or more in that particular town and your homes are only paying 40, you're going to have a shift, even with allowing them an exemption. In most places where you find these single industries - and I have talked with some of them - DePont is one that's got one down here in South Jersey and there are a couple more around - for example, across the river, the Baker Platinum Company - they own the Clark Thread Mill. They pay 52 per cent of the taxes in the town, and what they do, in order to try to keep the expenses down is, if the town wants a new fire engine, they'll go out and buy the fire engine and give it to them. Where you have a single industry, you'll find they'll take care of your town. Their industry doesn't try to shirk its duty. At least I've never found it that way.

CHAIRMAN DUMONT: Well, then, Mr. Hunt, you favor the principle of uniformity as distinguished from classification, even though we recognize that classification exists unofficially and perhaps unconstitutionally - but you favor the principle of applying the same percentage to all uses of real property as outlined in this program; is that correct?

MR. HUNT: That's correct, with the homestead exemption.

CHAIRMAN DUMONT: One thing that was mentioned last week by the head of the New Jersey Farm Bureau was that

farmland is sometimes assessed for development purposes rather than for farm purposes. Now, suppose that the principal bill - I say that only because it's the largest one in the group - 81, were to be amended to lay down some definition as to how farmland should be assessed, not percentagewise because the same percentage would apply, but if it were under cultivation it should be assessed as farmland rather than for purposes of development in the event that some day a housing development might come in there and cause its value to be inflated. Would that type of amendment do any particular harm to Newark or any of the large cities?

MR. HUNT: No. I think even today if I was evaluating that land, I would evaluate the land the way it was held until such time as the man sold it. Now, on the other hand, if he isn't using it and on both sides of him there's a development coming up, then common sense will tell you there's a little greater value.

CHAIRMAN DUMONT: Right. Now, did I understand you to say at one point that you thought A-350 was terrible? - to use your words?

MR. HUNT: Yes, I did.

CHAIRMAN DUMONT: I think you said this to us last summer but would you tell us why? Now you mentioned that you couldn't get the sponsors to indicate just what they had in mind. Is that your principal reason, or do you have other reasons?

MR. HUNT: Well, I would say that one of the reasons is that I can't understand it. It has too many things that

allow you to hang your hat on in determining an assessment and it also has too many things that allow any board on appeal to give him a reduction, because it says "taking into consideration the selling value, the rental value." Well, on rental value, you are immediately going into your income. In our income capitalization, the rental is not sufficient; we've got to have the expenses - "any unusual features as to size" - let's assume you had a plot 100 X 110 and all the rest were 100 X 100, I would say that's an unusual size and, therefore, has a different value on it - "zoning regulations, applicable planning, location," - well, the replacement cost less depreciation is what we have to use today, not the rents, on our industries - and then "any special features such as the physical condition of the building or any unique characteristics" and when the assessors speak to you, they are also going to call your attention to the fact that there is no definition in your 81 as to that. You say "full and fair value." You are leaving us up in the clouds like the moon because full and fair value is something that's been determined and defined in various ways, so that was one of the reasons that we couldn't take A-350. Of course, it also gives classifications indirectly without naming them.

SENATOR FOX: May I ask you this: In line with your statement on that, the statement has been made quite frequently, relative to these various items that are taken into consideration in connection with the assessments by the proponents of the bill, "Sure, this may amount to classification but these are the various things that all assessors take into consideration today."

MR. HUNT: These are all items that we take into consideration in making an appraisal; for example, they may have zoning regulations. Well, if the zoning code doesn't provide - let's say the zoning in the section provides for residences and the building that I am to appraise is of a commercial nature, then that building loses its value because it is already in violation and is only staying there at the mercy of the governing body. I am assuming that the building was built before the zoning ordinance was adopted. But there is no measure of value in these. We take into consideration the zoning code, and we take into consideration the neighborhood, the earning capacity of the people in the immediate neighborhood, and the rental and expenses. Now, on a factory - and there is a distinction in a factory - for instance, I always use the square feet with exterior measurements; another person, especially when it is on appeal, will only use the square footage of the usable area. These are all things that will go through your mind in trying to arrive at a conclusion as to what a willing buyer not compelled to buy will pay for it, and what a willing seller not compelled to sell will take for it. But the appraisal is not based on any one single thing; it is the whole combination. In this bill, in my opinion, you could rest on the rental value; for example, in my slum sections in Newark the rental value is terrific, so when I have an appeal in the slum section I would use rental value. When I had it in a residential section, I would probably use zoning, because zoning protects the property. So you could go all over the lot with it and it doesn't

tell you that you have to use anything. The bill actually doesn't tell you that you have to do anything. It has taken out "full and fair value," and it has taken out "at such price as, in his judgment, it would sell for at a fair and bona fide sale by private contract on." In other words, I think you will recall that it was at the hearing in Newark where I asked Assemblyman Hauser what it meant.

CHAIRMAN DUMONT: Yes, I remember that.

MR. HUNT: I think the whole thing in this is that it gives the assessor the power to assess anyone he feels like assessing. In other words, it even makes a distinction between one-family houses, as to one against the other, not only between classes. There are so many items in there that you could hang your hat on.

SENATOR WADDINGTON: Mr. Hunt, I'm sorry. I have another question.

MR. HUNT: That's all right. I'm here all day.

SENATOR WADDINGTON: This business of the homestead exemption is interesting to a number of us, but you run smack into, I am sure, in many counties, a very widespread feeling on the part of a lot of homeowners that all people, in so far as it's practical, ought to have some share in paying taxes so that they will take some interest in government, because the problem of high taxes is one that is going to be with us eternally in the society that we've developed. So there is considerable resistance, for example, to even excluding the small return that you get on home furnishings. Now, if you give a household exemption of two or three thousand dollars, you exclude an additional number of people from

paying taxes who are now paying them. They can argue, as Joel Jacobson would, that these are poor people and shouldn't have to be paying taxes, but there is this other argument that they have children in schools and they should be taking a direct interest, and taxes is about as strong a force to create interest as there is. How would you answer that kind of an approach?

MR. HUNT: Well, Assembly 418 is a bill which gives local option to the people in the various towns and cities, and we don't acquire it by just the adoption of a bill. But if the bill passes, what we will have to do in any town that desires it is, we will have to put it on the ballot and have the people approve it. I think that allows every town to make its own selection and, as long as you have gross values for costs of county government and your school aid is predicated upon the same thing, every town is getting the proper relationship and no town is given an advantage, so that any advantage that will be obtained by the adoption of the homestead act will be within the town or city in which they adopt it.

Now, let me explain to you the advantages of a homestead exemption. I think that you will agree with me that as you travel around you will find that where people live in a house the property is kept up much better than where there is absentee ownership. Only today I was reading about out in Kentucky, while I was idling this morning, where absentee ownership has brought down the whole district - I forget the name of the city. If you live in a house and your neighbor lives in the house next door, you will find it is better taken care of; and if the property is better

CHAIRMAN DUMONT: Then you don't see any objection to leaving it up to the municipality - which is actually what most of them do today anyway, even though they are supposedly required to levy it, - to determine for themselves whether they would continue to impose it or not?

MR. HUNT: That's right, no objection to that at all.

CHAIRMAN DUMONT: You also feel that in the event that any exemption were granted to a certain group of people, it ought to be a homestead exemption rather than an exemption granted to those 65 years of age and over, only?

MR. HUNT: I didn't go into the 65 years - I'm close to it.

CHAIRMAN DUMONT: Well, I am interested in your viewpoint on that.

MR. HUNT: I think that on your exemption on a person's age, there are factors that should be considered other than the age of an individual. I happen to be working on a private case right now where this fellow is going to put up a certain amount of money in a Foundation - which he is going to build and maintain rent free for persons 65 and over - and I don't think you should adopt it - but in this case the parents can have no children living, not because they want them dead but because they still believe that the children under our statute have to support the parents. Now, he is going to devote this entirely for the use of people who have an income of forty or forty-five dollars a month. Of course, when he came down and discussed the taxes with me - it's a question of how he can get around getting an

exemption of taxes here - he doesn't want them to give up that forty or fifty dollars a month. Now, I don't believe you can give exemption unless you tie in where nobody can make a profit. For example, in this particular case, if a tenant gets free rent and free care and he has fifty dollars a month, it is possible for that particular tenant to invest that fifty dollars in an insurance annuity and, therefore, at the time that he dies, or she dies, that would go to some individual who would profit. So I think in those cases where there are any assets at the time of death, those assets should revert to the Foundation. As to the age of 65 or over - and I am going to cite myself as an example; the fact that I'm 65 - I'm not 65 yet, but 60 - doesn't mean that I need assistance; on the other hand, I would take advantage of it. You have to tie in certain conditions in order to give him that exemption. For example, if a man has an income of fifteen or twenty thousand a year, why should he get a better break than anybody else?

CHAIRMAN DUMONT: So you think that there has to be some kind of need or income factor in any exemption, whether it be granted particularly in the case of people 65 years of age and over, and if there were to be any exemption granted, there should be some kind of a top income that they can have or need proven before such exemption.

MR. HUNT: All exemptions, in my opinion, should be for the public good and should be where there is need. However, the Legislature passes some exemptions too fast and they don't give us a chance to get in. There's a bill

which you adopted a year or two ago under which you have given to some people what hospitals don't have, what schools don't have, and what churches don't have. The average assessor says I'm crazy, but I believe in fair play and I think that those hospitals, churches and societies are entitled to the same exemption. And, of course, when you get a little pressure on you - in fact, I'm trying to organize the thing now to get ahold of the 81 Assemblymen and Senators. That bill went through very fast. We had a meeting to discuss it and when we went to the meeting, they had already passed it in the Senate and the House.

ASSEMBLYMAN MATTHEWS: Tom, there was one further point that you didn't bring up this morning; that was the comment that you made to me about page 11 of Assembly or Senate 81, where we amend 54:4-26 as to the tax bill's containing the separate valuations. I think you mentioned to me that that might be impractical from the automation standpoint, and I wish you would just give us a few sentences on the record to help us out on that.

MR. HUNT: Well, as I understand the bill - and don't misunderstand me that I read the law and form my own conclusions, because I do have legal advice - but in this particular bill it requires that you establish the value for every building on the plot and that the bill and the receipt shall carry such values as individual items to show how the aggregate amount was arrived at.

In the larger cities, and especially in the City of Newark, that would be very inconvenient because we have gone in and we intend to go through with the punch card system,

but even if you didn't have the punch card system, on which there isn't sufficient room, and you had the manual type of bill - in the City of Newark, I think I have 18 separate buildings that are on one assessment - it would require putting those values on the tax bills, 18 different values.

I think probably you should give some thought to making the assessor have available to the public the values that he obtained on each individual building and how he arrived at his total aggregate, but on the bill itself it should appear only as the aggregate value.

ASSEMBLYMAN MATTHEWS: I think I mentioned to you that there might be an amendment made on line 13, in section 17, on page 11 to have this line read: "The tax bill shall contain the sum of such separate valuation."

CHAIRMAN DUMONT: Any further questions of Mr. Hunt?

Oh, one more thing: Would you agree with the general recommendation that we got from the Essex County Assessors that any prospective question concerning the amending upwards of the fixed \$500 amount pertaining to a veterans tax exemption in the New Jersey Constitution - that any increase in that ought to be in even multiples of \$100 rather than a \$750 figure?

MR. HUNT: All exemptions should be in even multiples.

CHAIRMAN DUMONT: Any other questions? (No response).

Thank you very much, Mr. Hunt. Then you will be prepared this afternoon to come back and briefly discuss that letter with us. Right?

MR. HUNT: Yes, sir.

CHAIRMAN DUMONT: Mr. Greene, are you going to be able to come back this afternoon if we recess now for lunch?

MR. ALFRED GREENE: Yes, sir.

CHAIRMAN DUMONT: Mr. Yauch, you will be here this afternoon?

MR. JOHN H. YAUCH: Yes, sir.

CHAIRMAN DUMONT: Mr. Martin, Motor Fuel Association. Or is he the gentleman who asked the question?

MR. GEORGE HARKINS: He wanted to talk to you outside.

CHAIRMAN DUMONT: He was listed here as a witness.

If there are any other witnesses who want to testify this afternoon, I would appreciate it if you would get your names on the list.

Now Senator Crane has a statement to make before we stop for lunch.

SENATOR CRANE: Well, Mr. Chairman, I felt that we should read into our official record of our investigation and findings the report of our Sub-Committee that was concerned with municipal debt limits, just so the people won't feel that the main committee has ignored the subject, and I notice that Mr. Hunt himself brought it up. You may remember that when we originally addressed ourselves to the 100 per cent of true value as the basis for assessment, all of us were alarmed about what it might do to municipal debt limitations, and this problem was referred to me and I had lengthy correspondence and several conferences with persons on the Local Government Board in the Division of Taxation, on the Tax Policy Commission, and on the District Boards of Education,

and all these competent persons advised me to advise you that if we were thinking along the lines of 40 to 50 per cent in assessment ratios, the establishment of such ratios would not be detrimental to debt limitations as of now and that actually we could defer any action on debt limitations until such time as the revision of Title 40 was submitted, and there is a commission in existence now headed by Senator Hannold, addressing itself to the revision of Title 40. So I felt that this report should be rendered in public so it would be a matter of record.

CHAIRMAN DUMONT: Thank you, Senator Crane.

There is one telegram that came in this morning that I think ought to be read into the record. The substance of the telegram is: "Teamsters Joint Council No. 73 representing sixty thousand members and their families living in the State of New Jersey are opposed to Senate Bill 86 because it will have an adverse effect on their employment." Signed: Lawrence M. McGinley, President, Joint Council No. 73.

I think perhaps, too, and this is in response to a note from Senator Crane here, that this portion of the Local Property Tax Bureau News dealing with the warehouse exemption in the February 1959 issue ought to be made a part of the record. I might add that the note on top doesn't apply to exemption directly and, therefore, probably should not be made a part of the record. (See page 82)

Now if there is nothing else, we will recess until approximately two o'clock for lunch.

(R E C E S S)

PUBLIC WAREHOUSE EXEMPTION LAW SHARPENED BY THE SUPREME COURT

Personal property stored in a public warehouse is exempt from taxation according to R. S. 54:4-3.20.

The most recent case to arise under this statute is that of General Electric versus the City of Passaic. General Electric contracted with a warehouse firm in Passaic for storage of air conditioning units. Ninety-nine per cent of warehouse space was occupied by General Electric and the remaining 1% by a rigging firm affiliated with the warehouse company. General Electric personnel worked at the warehouse full time to inspect and modify units before shipment. General Electric maintained a punch card system of accounting for the merchandise, but the warehouse firm had no system of receipts.

The Passaic assessor sent a personal property declaration form to General Electric which failed to return the form. The assessor made his assessment, presumably following the dictate of R. S. 54:4-13, which says that the assessor after diligent effort should estimate the taxpayer's property value at the highest value he has reason to suppose it may be placed.

Upon appeal the County Board upheld the assessor. Division of Tax Appeals struck the assessment off completely. The case came to the Supreme Court in the form of two questions: Is the warehouse law constitutional, and in this really a case of a public warehouse? Supreme Court declared the law constitutional but remanded the case to Division of Tax Appeals for an answer to the second question. The Supreme Court, however, did establish a new and sharper definition of a public warehouse that will help the Division of Tax Appeals answer the question of fact.

The Court said, "... if the taxpayer stores its property in a well established or newly created public warehouse, genuinely created or operated as such, it is entitled to the benefits of the statutory exemption. On the other hand, if it stores its property in a warehouse created or operated for its own private convenience and not genuinely operated as a public warehouse, then the statutory exemption must be deemed inapplicable, for here the statutory objective is not being served and no justifiable basis exists for favoring such personal property as against personal property stored at premises of taxpayers generally."

The Court further requested the Division of Tax Appeals to supplement the record and to shed whatever additional light may be available on this issue. "In particular there should be full exploration of the activities engaged in by the warehouse company towards soliciting business from the public and towards making space available to meet any requirements of the public and evidence should be (obtained) as to how the storage rates charged to the exemption claimant compared with storage rates charged by bona fide public warehouses in the area."

SENATOR WAYNE DUMONT, JR. (CHAIRMAN): We will call first Mr. Alfred Greene, the Chairman of the Tax Study Committee of the New Jersey Association of Municipal Assessors. Mr. Greene, you are also the Assessor of Clifton, is that right?

MR. ALFRED GREENE: Yes, sir.

Mr. Chairman and gentlemen of the Committee: My name is Alfred James Greene, Jr., Tax Assessor of the City of Clifton, and Chairman of the Tax Study Group of the Municipal Assessors Association of New Jersey.

I would like, if I may, to add the other members of this Committee so that you will see its general scope in the State: Mr. James S. T. McDonough, Assessor of Irvington, is Co-chairman of the Tax Study Group. The other members are as follows: Thomas Hunt, Assessor of Newark; Daniel Kiely, Assessor of Plainfield; Clarence Delgado, Assessor of Ridgewood; Edward Markowich, Assessor of Cranford; Norman Stout, of Salem County; Marriott Haines, Assessor of Mount Holly; Gruver Breen, Tax Assessor of Paterson; and Anthony Berenoto and William Ferry representing Atlantic City, and Mr. Berenoto is also the President of the Tax Assessors Association.

The following statement is as a result of this tax study undertaken at the request of the Executive Committee and represents the views of the Association of Municipal Assessors.

If I may, gentlemen, I will hold Senate Bill 81 until last because I think that has just about everything important to the assessors in it.

On Senate 82, we are for no comment.

On Senate 84, we are in accord with the principle, but

believe that if household personal property taxes are to be eliminated, they should be eliminated in a one-year period and not over a three-year period as advocated in this particular bill. Now if it is extended over a three-year period in reductions so there is no remaining household personal, it will entail a tremendous amount of work in some of the apartment-type communities such as East Orange and many of the others, as far as addressograph plate changes are concerned and continuous changes of these assessments. We do not see where it will really effect any benefit to the municipalities. If this goes through, it will be eliminated over a three-year period and we would just as soon the impact take place at the beginning so that you gentlemen will also have the full import of any possible results of the pending bills. And if this bill does go into effect, we would advocate that it take place at the same time as the possible passage of Senate 81.

The Association is in favor of Senate 85, as they are of Senate Bill 86.

As to Senate 87 pertaining to personal property, we offer no comment.

Any bills pertaining to the granting of further exemptions, the Association has been consistently opposed to for the past three years and we cannot change the views of the thinking of the Association on that particular matter.

In Senate Bill 81, in our opinion the taxable value is not defined sufficiently at the local level. And by this we mean that the basis of arriving at a full and fair value should

be established. In other words, it should be spelled out. If it is going to be interpreted in the future the same as true value has been in the past to be synonymous with market value, then let's have it known as market value.

Our proposed amendments pertaining to real property are included in a resolution which I will review at the end of this.

We are substantially in accord with the 50 per cent ratio pertaining to machinery and equipment, although the presumption of all original values to be equitable is a falacy. However, as long as industry itself is not particularly concerned about this feature, then we have no objection because the majority will ultimately reflect only 10 per cent of the original cost, being 50 per cent of the remaining 20 per cent of net value.

We are in agreement that consideration of classifying inventories should be undertaken.

CHAIRMAN DUMONT: What was that last one?

MR. GREENE: We are in agreement that in the case of inventories, some consideration as to classifying this category should be undertaken. This is in complete accord with the views as expressed this morning by Mr. Hunt.

We are of the belief that $12\frac{1}{2}$ per cent ratio on inventories for raw products, products in the process of manufacture and finished products in manufacturing plants or plants in production that aid in the growth and give wealth to the community should be at the $12\frac{1}{2}$ per cent level. We are in accord with the feeling of the previous speaker that the finished product held for resale should be at the same level as real property, 50 per cent, and that is what we are referring to here.

In the case of taxpayers refusing to file proper returns, we are opposed to the penalty clauses on pages 9 and 10. We are in accord that the tax assessor shall not have the authority to abate in all or part any such penalty. We would recommend the date the taxpayer shall file his return to be fixed no later than November 15 so that we can process the balance of our work for the filing with the County Tax Board on January 10. If a taxpayer refuses to file his return, then we believe a 30 per cent additional increase on his previous existing assessment shall be made. What we are striving for here is not the choice of the assessor or leaving him out on the limb where these things can run afoul. It should be spelled right out and the taxpayer know exactly where he is working and the assessor will know his exact limitations and his powers.

In the case of real property, we believe that if a proper basis of establishing values together with a base year for values throughout the State is undertaken for a fixed period of time, preferably a ten-year period, then we believe each county could, if you gentlemen so saw fit, select and declare its own individual ratios. We would be complying with the constitutional requirement that all properties shall be assessed according to the same standard of value by general laws and uniform rules. If we maintain a basis of value uniformly throughout the State, it has been advocated by this Association that the base year for values be 1954, the same year as the State introduced the bill property assessors now have and the State School Aid went into effect, and if this be the basis and all new construction and changes in value be brought back to the same base year of 1954 until a future date

when it is revised uniformly throughout the State by the Legislature, we advocate a ten-year period for this. This would lend uniformity and give us a basis for assessing and everyone would be acting under the value premise under the same uniform rules. As far as the same ratio being uniform throughout the State, we can see no particular objection to whether a county, any individual county, selects its own ratios as long as they are declared ratios and they are at least at the county level.

I believe Senator Dumont might have had this previous resolution passed by the Assessors Association, is that correct? There are some amendments to this. This particular resolution goes into the basis of value, the approaches to value, we are to consider, the base year, and the spelling out of the approaches to value that will constitute the basis of value. We have advocated the base year to be 1954 for a period of ten years and on the last page, gentlemen - some of this pertains particularly to the present laws with the recommended revisions - in the footnotes: (Reading) Market, Full and Fair Value (being synonymous) is defined as the highest price estimated in terms of money which a property will bring if exposed for sale in the open market by a willing seller, allowing a reasonable time to find a willing buyer, with neither buyer nor seller acting under duress, and both having full knowledge of all the uses and purposes to which the property is adapted and for which it is capable of being used, and both exercising intelligent judgment. That is the definition of "market value" and this is the interpretation of "true value" by the courts, although true value as

comparable properties is made and adjustments factors for time, location, size, condition, and other pertinent features are considered and adjusted to the properties involved in the assessment study as of the base year of 1954.

We are also in accord with some of the previous speakers' views so far as a close study of the effect of these bills after they are put into operation so that the Legislature will be in a position to correct any detrimental unknown deficiencies that might exist today. We will not know any of these things until it is in actual practice. A lot of this even from our own study hinges on theory almost in its entirety.

There is one other resolution that I believe has been brought to you gentlemen's attention and it pertains to the present exemption on Federally-owned equipment or inventory and we are of the opinion that with a slight revision of our present tax laws, together with the recent Supreme Court decisions in Michigan and other places, would hold true for the same assessments in New Jersey and give adequate ratables in case of a possible elimination of we will say household personal property taxes. At present they are exempt and with a slight revision in the law, they can be put on the taxable rolls.

There has been much discussion this morning by Mr. Hunt, but I don't think it can be emphasized too much nor does the Association, about the problems that do exist in the Warehouse Act. The photographs that were submitted I think will tell some of the story better than a thousand words. However, we are all of the common opinion - we have like problems - that there is no filing of any statements - initial exemption forms,

if you want to call them that - the same as other properties, and we do not know the category of the property until an appeal comes up on it. We have to dig these up out in the field. I know of similar cases to those Tom has enumerated this morning. For an illustration, I have one building that was put up specifically for book storage to be occupied by two tenants. They are both in the book publishing business. They both use and divide the services of the warehousemen to sort and file the books and process them for distribution. They occupy each approximately 50 per cent of the area currently. One of the concerns is exempt by the Warehouse Act and the other, being exactly the same, is taxable - identical businesses.

There has been a lot mentioned about the General Electric Case by the representatives of the warehousing companies of the law being specific on how we could find out whether they do fall into the exempt categories or not. Gentlemen, I was the assessor in that case and I still don't know how it could be figured out whether they are exempt or not. I made an inspection of the plant. We could get no information from General Electric or the warehouse company as to the category so we had to take a physical inventory of all the products in there and in the inspection of the plant we found one small area of about 100 or 200 square feet of many thousands that was used by a rigger for his tackle and gear who was in turn in business with the person conducting the warehouse business. This was a one-tenant operation. If that type thing is left up to the assessor to determine whether they can possibly be exempt under the present Warehouse Laws or even up to our own legal counsels who could not agree with us, then we are still in the muddle where we are today

and I think that with some of the illustrations that Mr. Hunt has brought forth this morning well illustrates our problems on that point.

Those are the high points of our review of these problems. I will close at this time and try to answer any questions you may have.

CHAIRMAN DUMONT: Mr. Greene, we held the first hearing which was on February 11 as I recall it. Since that time your Association, as I understand it, has done a considerable amount of work throughout the state getting opinions from assessors, is that correct?

MR. GREENE: That is correct, Senator.

CHAIRMAN DUMONT: So that your remarks today, would you say they represent the concensus of opinion of the assessors of New Jersey?

MR. GREENE: As chairman of the Tax Study Group, with the authorization of the Executive Committee of the State Association who in turn publicizes all this, I was authorized to appear and represent the assessors at this hearing.

CHAIRMAN DUMONT: Can we assume then as a fair conclusion that the assessors generally of the state are in favor of the principle of uniformity, that is, applying the same percentage to all uses of real property?

MR. GREENE: Yes, sir. No question about that.

CHAIRMAN DUMONT: That is as opposed to classification?

MR. GREENE: Yes, sir.

CHAIRMAN DUMONT: Is it the opinion of your group that

50 per cent is preferable to 40 or did you have any particular preference there?

MR. GREENE: We didn't undertake that study, Senator, but we believe if a basis of value is established uniformly throughout the state, a year for values with periodic revisions, as long as the ratio is declared at least on a county level, then there is no concern for whether it is uniform throughout the state. The problems are different in many of these counties. They are not the same in our parts of Northern New Jersey versus the problems of Atlantic County or Cumberland County or some of the rural counties. There are particular reasons why this is so. Oh, I am in complete agreement that the provisions in the law could be revised accordingly. I know that has been in operation. There is no particular concern about that. But there are other concerns from the various counties, Hudson County versus Atlantic County, as an example. What I am trying to say to this Committee is that if the value basis is established, if the rules are uniform, if the base year is established, then the ratio as long as it is on a county level uniformly and declared would not matter. But if it were to go the other way as you advocate, Senator, then we would be in accord with your thinking on it because we are concerned primarily with one thing, that discrimination will not exist after these studies and it will give us some specific rules to overcome the present inequities that do exist and that we are all aware of.

CHAIRMAN DUMONT: Now, do you think that the same percentage applied statewide is all right or do you have in mind applying a percentage on a county basis?

MR. GREENE: Our recommendation from the Association is on a county basis.

CHAIRMAN DUMONT: A percentage that may not be the same for each county?

MR. GREENE: That is correct, so long as the value basis is equitable throughout the state.

CHAIRMAN DUMONT: Do you also agree with the suggestion that was made in one of the reports several years ago by the State Tax Policy Commission - this may sound like a loaded question - I don't mean it that way - that there ought to be county assessing rather than municipal assessing?

MR. GREENE: I can express my own views on that, Senator, but I am expressing the Association's, representing nine hundred some assessors, many fulltime, many parttime. They have gone on record as being opposed to this thinking along county lines because if it goes to the county naturally it is going to be full time for all assessors. Now, this is going to mean a loss of revenue for some of the part-time men. That is why I cannot express that view.

CHAIRMAN DUMONT: I gather from what you have said that you think that the time for the Legislature to act and the Governor would be this year and that we should not delay in trying to find further statistics, particularly in regard to personal property, as was recommended here by several witnesses last week that we ought to act this year and then determine through continuous study of the operation of the system how it is working out.

MR. GREENE: We are in agreement with that.

CHAIRMAN DUMONT: You don't feel that there ought to be a delay in the enactment of legislation in order to get more material together, particularly if that should be a long delay?

MR. GREENE: No. Then we as assessors are kept right in the middle of the muddle where we are at the present.

CHAIRMAN DUMONT: -- because of the Switz case and the other court decisions.

MR. GREENE: That is correct, Senator.

CHAIRMAN DUMONT: The question of exemptions - as I gather from what you said, you oppose any new exemption or any expansion of an existing exemption, is that correct?

MR. GREENE: The Association has taken that view continuously for the past three years and I am expressing the views of the Association on that, as such.

CHAIRMAN DUMONT: Your Association would not favor expanding the veterans exemption, is that correct?

MR. GREENE: Not unless there is a decided shift in the burden of taxes. That is an unknown. That is why we are unprepared to answer that.

CHAIRMAN DUMONT: Do you have any feeling about these proposed exemptions in some bills that are in or resolutions in regard to persons 65 years of age or over. Do you think it ought to be limited to that or that it ought to be on a need basis or it ought to be a homestead exemption or what, applying to everybody that is?

MR. GREENE: Not expressing the Association's view on this, but some of us committee members that have undertaken

this particular study believe if it is going to be given, it should be on a need basis.

CHAIRMAN DUMONT: Especially if it is limited to a certain group such as the older citizens.

MR. GREENE: Yes, sir.

CHAIRMAN DUMONT: What is the view of your Association or if you don't have their view on that, perhaps of yourself individually, in regard to a homestead exemption that would apply to all property owners?

MR. GREENE: It has its impact differently, dependent upon the type of municipality. Some of the discussion here has been about options, and if we are dealing with that, then it might be all right. I would take Tom's objection or recommendation and go along with the bill for the homestead exemption as proper for the small taxpayer in Newark, in a commercial, industrial city, but this would not necessarily hold true in a community like South Orange where it is entirely residential, or Maplewood or Ridgewood or some of the others. Those expressions at our committee meetings were where it was left, Senator. We did not resolve our thinking on that point.

CHAIRMAN DUMONT: Could I infer then that you would lean more toward the bill of Assemblyman Matthews where it is a local option type of thing based on a referendum?

MR. GREENE: From the indication of the thinking, yes, sir.

CHAIRMAN DUMONT: And each municipality would have the opportunity to vote on it?

MR. GREENE: Yes, sir.

CHAIRMAN DUMONT: One suggestion that was made - I think it was last week - I think Russel Wilson has made it from time to time - is the possibility of a sliding scale such as using a percentage from, say, 40 to 50. Is that something that is generally approved by the assessors or would they rather have a fixed percentage, not allowing for a sliding scale? I think he calls it a range of assessing. Is he here at the moment? I saw him here this morning. He is the assessor of Englewood.

MR. GREENE: Our Association did not take that up nor, Mr. Hunt tells me, did the League. I am not entirely familiar with the reasoning that is behind that, Senator.

CHAIRMAN DUMONT: I think it was to allow the municipalities some option between a range of possibly 10 per cent rather than applying a fixed percentage of either 40 or 50 or whatever it might be.

MR. GREENE: You mean an option to the community?

CHAIRMAN DUMONT: More or less at the option of the local assessor, I guess was the idea of the thing.

MR. GREENE: I am not even prepared to answer that.

CHAIRMAN DUMONT: I just wanted to get your viewpoint on that.

Do you have any position in your Association with regard to A 350?

MR. GREENE: When they refer to the things to be taken into consideration in valuing property? Some of those we are in agreement with, with some of the revisions that we have at the end of our particular resolution. But many of the other points, so far as classifying property, we are in disagreement with.

We are of the opinion that all property should be assessed, particularly real property, on the same basis and the same ratio applied.

CHAIRMAN DUMONT: Is it reasonable then to conclude that with these amendments you have suggested, you would favor the program in the bills that are before us and that we are conducting a hearing on in preference to A 350?

MR. GREENE: Yes, sir.

CHAIRMAN DUMONT: You were the assessor, Mr. Greene, in the General Electric case?

MR. GREENE: Yes, I was.

CHAIRMAN DUMONT: And you feel that this court decision as has been argued by representatives of the warehousemen who have testified in the last couple of hearings - that this decision does not lay down, as they say, a proper basis for knowing what to do about warehouse taxation or exemption in the future?

MR. GREENE: I don't believe it solves anything as yet, Senator. The case hasn't really been decided so far as I know. It has been sent back to the State Board from the Supreme Court, and I also know that this particular case is pending before the U. S. Supreme Court for adjudication even before it is heard or decided by the State Board.

SENATOR FOX: The General Electric case?

MR. GREENE: That is correct, yes.

CHAIRMAN DUMONT: So you think some legislation is necessary on the subject of warehouses aside from this decision?

MR. GREENE: Yes, sir. We are heartily in accord with that.

CHAIRMAN DUMONT: Do you think that Senate 86 is an answer to it or that it ought to be amended? In other words, do you feel that there ought to be an amendment, such as defining clearly in the bill "property held for resale" or that we ought to have a clearer understanding of what is meant by perishable goods?

MR. GREENE: I might say that the Association is entirely in accord with the views expressed by Mr. Hunt this morning. Mr. Hunt is also a member of this Tax Study Group and he is closer to the particular problems, more so than anybody whom I know with the possible exception of some of the men from Jersey City. We have let Tom express the views.

ASSEMBLYMAN MATTHEWS: Mr. Greene, this isn't something that you discussed in your main remarks. Do you have a copy of S 81 in front of you?

MR. GREENE: Yes, I do.

ASSEMBLYMAN MATTHEWS: Referring to page 7, paragraph (d), providing "The fair value of personal property used in business shall be presumed to be the net book value thereof" etc., and "that the Director of the Division of Taxation may promulgate uniform rules and regulations for the determination and reporting of costs, depreciation ***" - do you think that we should set up a separate scale of depreciation for ad valorem tax purposes or should we use the depreciation schedules approved by the Internal Revenue Service for income taxation?

MR. GREENE: I think if we are to start detailing the depreciation end of it, then we should start right at the basis of the original values and turn those up from their original

cost through a cost index up to the present level of assessing with the depreciation backwards. Then we would maintain equity. We weren't too particularly concerned with whether it is 50 per cent of the net book value because ultimately with the advantages of certain tax provisions, they would rapidly be down to the 20 per cent level. There has been discussion of why we shouldn't just go to 10 per cent of the original cost right off the bat and forget the mechanics that go in between.

ASSEMBLYMAN MATTHEWS: Mr. Greene, that is why I raised the point because I realize that there are a number of accelerated tax write-off provisions under the Internal Revenue Code and I was wondering - I don't know whether your group itself has an opinion or whether you as an individual have an opinion that we should perhaps go into, say, straight line depreciation for purposes of ad valorem taxation.

MR. GREENE: I think, Mr. Assemblyman, if we were to go into a breakdown of depreciation, whether we set up a straight line or any other particular method, then we have to set up the basis properly. Then we would be in agreement if we are getting into the depreciation end of it. If the original cost, whether it was 1950 or 1955, for the same piece of machinery were treaded up to today's level, if this were the assessing date, and then depreciated backward under a uniform depreciation table such as you are advocating, then we believe that would be proper.

ASSEMBLYMAN MATTHEWS: One other point that interested me in your remarks, you suggested perhaps a change in the existing law to cover the taxation of personal property

actually owned by the Federal government and used by local industry. Did you have any concerted discussion of that in your group?

MR. GREENE: The Association has supported resolutions - they concurred in resolutions by various county associations for the introduction of this particular bill. We are in support of that. I think you are probably aware of what we are referring to. Government-owned machinery and equipment in some of the plants doing government work is not taxable at present. These recent Supreme Court decisions are having an impact on all states that are not presently able to take advantage of these decisions. I have the latest publication of the National Association of Assessing Officers' News Letter. There is a bill recently introduced in Colorado pertaining to the same thing we are recommending here. This is happening all over.

ASSEMBLYMAN MATTHEWS: Are you referring to that Murray Corporation versus City of Detroit situation?

MR. GREENE: That is correct.

ASSEMBLYMAN MATTHEWS: It is my understanding that presently in New Jersey we follow the tax theory that was laid down in the Arrow Jet case - Are you familiar with that one? It came down about three months ago - that we cannot tax this personal property which is owned by the government and used by local manufacturers.

MR. GREENE: Under present law we agree with you, Mr. Assemblyman. We believe a revision in the law would provide us with the tools to be able to assess it. We are no different

than many of these other states in this particular category. Colorado, for one example, is the most recent to try to revise the laws because this involves many millions and millions of dollars of taxable property.

ASSEMBLYMAN MATTHEWS: Well, of course, there is also the proposition there that we might inflict some harm on our national defense industries in New Jersey because what it ends up doing is raising the contract price because in the final analysis Uncle Sam would pick up the tab for those local taxes. That was the argument presented to me.

MR. GREENE: We don't seem to be in agreement with that, Mr. Assemblyman. Your investigation might ultimately substantiate those views. But this isn't true if it is being done in many of the other states that are now currently unable to tax these items. They are introducing bills to be able to enter into the same type assessment provisions. If this is true and it is happening all over, then I do not see where it would be in competition.

ASSEMBLYMAN MATTHEWS: Of course, if it were done universally, there would be no problem.

MR. GREENE: That's right. Well, I think we should get one point perfectly clear and that is that we do not advocate hurting anybody. We are after a fair distribution of the tax burden. We do believe in going along as much as possible on a fair basis with industry because industry aids so much in the growth of this state and in our own respective communities as far as the wealth that it brings in in payrolls. We are aware of those things, Mr. Assemblyman, but our Association does not

believe that this would deter from that.

SENATOR CRANE: Mr. Greene, I am not aware of anybody addressing any questions to you on this opposition of eliminating the tax on household personalty or assessment on household personalty because I was out making a telephone call. Has there been a question in relation to that?

CHAIRMAN DUMONT: I don't believe so.

SENATOR CRANE: I was interested, sir, as to whether the assessors were in favor of the elimination of this tax or whether, as was suggested in these hearings a week or so ago, it be made a matter of local option. Do you have any stand on that?

MR. GREENE: Well, there were some expressions on that, Senator. If in some of the communities it is exempted or removed, they are going to feel an impact. Now, what would be the replacement of this type tax? With their thinking, if that is the case, then we would probably be in agreement that it should be optional.

SENATOR CRANE: Then I wanted to bring up one other point. Our research last year and our conversations with the Governor and other persons who are charged with the administration and the supervision of this indicated that they all felt that this is one of the areas in which we must invoke transitional processes; in other words, that you cannot simply do away with something. We know from the reports of the Tax Policy Commission that the levying of a tax on household personalty brings in throughout the state in the areas where it is levied some eighteen million dollars. Because at this time it is believed impossible to levy a broad-base tax to help replace these lost revenues, it was through it would be better when you are talking in terms of

eliminating eighteen million dollars and have no replacement to put it on a transitional basis of three years. So when you say it should be outlawed in one year, I am afraid that this is too great a burden to bear and the three years gives the Legislature the proper time in which to address itself to the replacement revenue problem.

MR. GREENE: We have made a study of this, Senator Crane, and we are in agreement with some of these Tax Study Commission reports that household personal is another form of real estate tax in the majority of the communities that seem to be concerned, Ridgewood for one, and some of the entirely residential type communities where you get into tenancy. I have made a study since I have been in Clifton for the impact it would have there, and from the history of tax collections in Passaic and Montclair on the tenancy end of it; the only ones who seem to pay this or the bulk of it are the real estate owners. And the uncollected part so long as it is represented on the assessment rolls is still paid to the county-share cost of government. It is a discriminatory tax to say the least.

SENATOR CRANE: It is one tax where there is great opportunity for discrimination. But still you favor a retention of it on a municipal-option basis?

MR. GREENE: No. I say officially the majority of the thinking of the Association on that subject is if the bill to abolish household tax goes through, then we are in disagreement of the three-year period doing it. The views expressed by the Association are if it is going to happen, it should be

one year when all the revisions are taking place. I don't think you are going to find this shift or the concern in actuality that is apparent here. It is another form of real estate tax. The real estate owner is the one that is paying it at present and the delinquency rate is on the tenants.

SENATOR CRANE: Don't you feel when you are talking in terms of eliminating a tax that produces eighteen million dollars revenue, without talking in terms of some replacement, that you are creating a hardship that is indeed greater than the administrative effort that would be required to, let us say, make this transitory over a three-year period?

MR. GREENE: Well, I think the views of our Committee are that you will have at the beginning a possible increase in total taxes. If this is true, then we are in definite agreement that it should come off in the first year.

SENATOR CRANE: That is all I wanted to ask, Mr. Chairman.

CHAIRMAN DUMONT: I don't want to prolong the discussion on this household goods situation, but your feeling then in summary is that if it is to come to an end, it should be done in one year. But would you also be able to approve of an amendment that would leave it up to the local municipalities to determine whether they would continue to impose it or not?

MR. GREENE: Yes. The Association is in favor of the local option part, yes, sir.

CHAIRMAN DUMONT: If there is to be - I am not quite sure I am clear on your position on this - a uniform percentage applied to real property over the state, not county by county, but statewide, do you favor as an Association 50 per cent or

40 per cent or don't you have any particular preference?

MR. GREENE: On that I think we have no particular views.

CHAIRMAN DUMONT: Either percentage would be all right so far as your Association is concerned?

MR. GREENE: Yes, sir.

CHAIRMAN DUMONT: Any other questions? Yes, Mr. Miller.

MR. WILLIAM MILLER: Mr. Greene, I wonder with reference to the base year proposal you mentioned, whether the Assessors Association has information as to the effect of a statutory mandated base year of 1954 on all of the revaluations which have already been made perhaps without reference to that year.

MR. GREENE: I think if they are realistically checked, Doctor, that they wouldn't show too much difference from the 1954 level.

MR. MILLER: Your thought is that there hasn't been enough change in the price level between '54 and '58 to make any difference.

MR. GREENE: I believe there has been a change in the price level, but I don't think that it is accurately reflected through mass appraisals for equalization purposes because a number of them have been using the State Manuals to start with. I am very familiar with this particular field. A number of the others have used their own cost data but they have not always used full 100 per cent of those figures. They have used possibly 90 or 95 per cent of the base cost so there is not too much difference here from the full '54 level.

MR. MILLER: You don't think it would be necessary then to redo those revaluations?

MR. GREENE: I think a sales ratio study would indicate that. I think the greatest change they are having, more so than cost of construction, is the change in land value. But I think those conditions would have to be reflected as you currently find them.

MR. MILLER: Thank you.

CHAIRMAN DUMONT: Any other questions? (No response)
Thank you very much, Mr. Greene. We appreciate all the work that your Association has done to bring us these viewpoints.

One more thing, this resolution here is intended to be a recommended amendment to Bill No. 81, is that correct?

MR. GREENE: If I may, Senator, I want to incorporate this in its entirety and send it directly to you rather than in its present form. These are notations made on a prior recommended resolution to your original Senate Bill 6.

CHAIRMAN DUMONT: That's right, of last year.

MR. GREENE: Yes, sir.

CHAIRMAN DUMONT: Then as to 82 and 87, your Association takes no official position, is that right, 82 being the common level bill and 87 being ---

MR. GREENE: That is correct, Senator.

CHAIRMAN DUMONT: Thank you very much.

Mr. John H. Yauch.

MR. JOHN H. YAUCH: Mr. Chairman and gentlemen of the Committee, I don't want to wear out my welcome. I have been down here before and I tried on my first appearance to set forth my views, based on our study of it, concerning this Senate 86. My purpose today is not to repeat, I hope, what I

have tried to point out on this subject before, but merely by way of rebuttal of what has been offered here today by Tom Hunt.

May I say that I was born in Newark and I practiced law in Newark and I have known Tom Hunt for many years. I have had some cases on with Tom before the County Board and so on and I respect Tom Hunt as an assessor very greatly. While I appreciate that I may be a partisan in this matter representing the warehouse industry, I trust that I have tried to present the reasons which are based on some substance so it is a question of whether this industry has given you sufficient reasons to influence your judgment.

Now it is strange sometimes - it is to me, although being in the practice of the law for many years you realize you can have two conscientious men express viewpoints and both of them are very sincere about it. I tried to analyze as I was sitting here this morning what the measure of difference is here between the approach that Mr. Hunt takes and the one that we take. My humble opinion on trying to analyze it, with all due regard to Tom, I don't think he is viewing this problem from an over-all angle as to what is best for the over-all economy of our state. Now don't let us get away from the original purpose of the law as it exists today. I think that this law is either justified or unjustified in 1959 on the basis of whether the Legislature came to a proper conclusion at the time that the original law was adopted. Now, very briefly, in quoting from the General Electric case, which has been referred to here so often, the Supreme Court started off

with a consideration of what was the purpose of the law under which exemptions were granted and the Court stated: "It was based on the legislative policy to further the common good by encouraging the development of New Jersey's public warehouse industry which was then unable to compete fairly with public warehouses in our neighboring states where no personal property imposts were applicable."

Now, I am going to try to be brief and pinpoint the various points that Mr. Hunt referred to. He referred to a building in Newark and the fact that several floors were occupied by one storer of merchandise. I think I know the building he means and I don't think that there is anything very significant about the fact that one customer has sufficient merchandise to require several floors of this building, which while it is tall, the floor space on each floor is not very great.

Warehousing, gentlemen, involves movement of goods. For example, in the warehouse down in Elizabeth, the old Durant Plant, which a client of mine operated for some time, that is, the public warehouse part of it, we received a lot of raw rubber. I don't know whether it is the original state of rubber. But at any rate it was rubber in its raw state that is later manufactured. Some of that material laid there for some time waiting for a market. Now, it all depends on the character of the merchandise as to, first, whether it goes into a public warehouse or not, and secondly, how long it stays there. Sometimes merchandise comes and goes out in thirty days. It depends on the character of the merchandise, the market at the time.

Mr. Hunt referred to a T.V. manufacturer and stated that they adopted the course of cutting a hole in one of the walls and then designated the building on the other side of the hole as a public warehouse. Now, I have heard expressions here by these gentlemen, the tax assessors - Mr. Green from Clifton - that the General Electric case does not lay down the course which is sufficiently clear and definite to deal with these subterfuges. Gentlemen, I only have to refer to a very short part of the court's opinion. It is true that the Supreme Court sent this case back to the State Division because, as you recall, the State Division had reversed the County Board on the assessment of two million dollars. The Supreme Court sent the case back to the State Division and said -- This exemption under this law exempting personal property in public warehouses is a very narrow exemption; it is a confined exemption. It doesn't exempt goods under any circumstances that go into an alleged warehousing arrangement. The Court said, sending the case back to the State Division, look into these matters and then we will determine whether the statute applies under the facts in that case. The Court said: "In particular there should be a full exploration of the activities engaged in by Ejay" - Ejay was the company running the warehouse - "towards soliciting business from the public and towards making space available to meet any requirements of the public, and evidence should be presented as to how storage rates charged to General Electric compared with the storage rates charged by bona fide public warehouses in the Passaic area or elsewhere in northern New Jersey. On the basis of all of the testimony, as supplemented by the aforementioned

any by any other relevant evidence which may be introduced, the Division of Tax Appeals should make appropriate findings of fact and should express its determination as to whether the claim of exemption has been affirmatively sustained ***." I submit that is the decision of our court of last resort in the State of New Jersey. There have been a number of cases decided on this point in New Jersey and I think this charts a very clear course. I can't understand why the authorities in Passaic didn't present that type of testimony in the first place because they are all relevant matters in the matter of whether the exemption applied. Mr. Hunt in addition to referring to the case of the T.V. concern that created this warehousing arrangement where it wasn't before, referred to the Weyerhaeuser case. At that point I believe Assemblyman Farrington asked Mr. Hunt whether - not the Weyerhaeuser case, but the T.V. case in the matter where the one customer occupied several floors and so on - whether they were cases that had been brought. Well, I don't know how far any of those cases may have gone, but I know they are not reported cases because I try to keep up on this subject and I don't believe that either of the situations that Mr. Hunt has referred to ever became the subject of inquiry by our courts. Now whether they went to the State Division or not, I don't know, because all the State Division opinions are not reported.

However, Mr. Hunt - and I respect him for his tenacity; he is a fine opponent and you are in for a battle any time he is on the other side and he is the type of man that I think an

assessor should be - but he has a viewpoint sometimes, which I said before, which I think doesn't give consideration to maybe an over-all viewpoint.

Now the Weyerhaeuser case, gentlemen, that Mr. Hunt referred to was decided in 1940 by our State Division of Taxation, not by our courts. I feel confident - of course, you can always win cases when you are just talking and are not before the court - that if Mr. Hunt follows the course that he followed since last Friday when he sent out his group of assessors hurriedly to make a lot of spot checks in different warehouses and to take these photographs down at Port Newark - if they do the same thing in preparing their cases where an unjustified claim is made for an exemption, I am quite confident that our State Division with its course chartered by the General Electric case would tear aside any of these exemptions. And, gentlemen, this is very important to our group.

Mr. Hunt stated that he is not as much concerned about the tax revenue as he is the fairness. Then I think he claimed that there were very little taxes paid by warehouses. I submitted when I was here last week because I referred to it in my original statement to this Committee and you gave me a week within which to present it a statement, a summary, which is as accurate as we could get it of the taxes that were paid by the public warehousemen, that is, all those that we could contact, and that statement indicates a very substantial amount of taxes that are paid.

Our great concern is that if this tax exemption is

eliminated, there being no personal property tax as such in New York, Pennsylvania, and other adjoining states, the type of business that now finds itself in public warehouses in New Jersey and is a feeder to other lines of activity in New Jersey will go to other states. It is quite possible for owners of merchandise who are now storing in New Jersey warehouses to store just as conveniently in New York and Brooklyn warehouses. I happen to represent a warehouseman that has warehouses on both sides of the river and I know as a matter of the cost of the trucking, if the merchandise is coming from out West, it costs no more to drop the merchandise off at a Brooklyn warehouse so far as railroad freight is concerned than it does to drop it off at a Jersey City or Newark warehouse. The only difference is that you would have to have a truck if any of that merchandise were to be brought into New Jersey. I might say, gentlemen, that the great percentage of goods that are stored in genuine public warehouses never finds its way eventually into the markets of New Jersey. It goes to adjoining areas. It goes out West. If it is imported like much of the goods - practically all of it at Port Newark is - it doesn't find its way in the stream of business activities in New Jersey.

The point has been made, and it is an important one - yes, they say, there is no personal property tax in New York, but there is something that is just as costly and that is a sales and use tax. Now, I am familiar with that. As I said, we have actual experience with warehouses on both sides of the river. That sales and use tax in New York is not applicable until the goods get into the market for sale. It is not

applicable until the goods get into the market for sale. It is not applicable while the goods are at rest in a public warehouse. Gentlemen, I can assure you so far as the warehouses that I have had contact with that have warehouses in New York, that there has been no attempt to levy any sales or use tax on the merchandise while it is in New York.

So therefore a sales-use tax in New York - and I understand there is a similar one in Pennsylvania and possibly also a city sales tax in Philadelphia - is no substitute for a personal property tax because it is not levied on goods that are stored in a public warehouse, not as a matter of specific exemption, but as a matter of practice they are not.

Mr. Hunt stated that he is more interested in the fairness of the situation that exists as a result of this bill. He refers to a situation where you have some businessmen who have their inventory in back of their store or on their shelves who pay the tax and other businessmen adopt a different method of doing business. They store merchandise in a public warehouse and they are not subject to tax. Now that sounds appealing. However, in practice, gentlemen, that does not happen and I am now referring to genuine public warehouses. The very character of the goods, the type of business that the businessman is in who owns this inventory, determines whether he keeps it as regular inventory on the shelves or in the back room or whether he stores it in a public warehouse. I gave you an example when I was down here before that I think brings out this point, that the characteristics of the merchandise determines sometimes whether it goes in a public warehouse or not.

negotiable instrument. Warehousemen don't know with reference to negotiable receipts who the owner of the property is at a particular time. The warehouseman at his peril must require the production of a negotiable receipt or a surety bond and that is provided for under our uniform warehouse receipts act. Before he can make delivery of the merchandise, he has to require the negotiable receipt to be produced. If we make this property which is evidenced by the negotiable warehouse receipt subject to personal property taxation, you are going to affect the strength of the security represented by negotiable warehouse receipts. And, gentlemen, that is an important factor in the business life of this state and the country. There is a lot of financing done, manufacturers are financed in their cost of manufacture by banks who take as collateral these negotiable warehouse receipts.

The question was asked here and there was some comment on it - I am just going to refer to this and then I will have submitted the points that come to my mind which I thought by way of rebuttal were worthy of you gentlemen considering in connection with the views expressed by Mr. Hunt - the question was asked originally, I think, by Senator Dumont whether it was necessary to claim exemption under this law. I can say definitely as a matter of law that it is not. Mr. Hunt was correct in his statement. He may not be a lawyer, but he is very well informed. Mr. Hunt was correct in saying that there was a court decision some years ago which held that the exemption was automatic. I am not certain, but in connection with religious organizations, I don't believe that exemption has to be claimed;

I think it is automatic. In this situation it is automatic.

Now, I can appreciate there is some difficulty on the part of assessors because of the fact that sometimes they don't know about these claims that the exemption applies until they get before the County Tax Board. Now, I don't justify the fact that there is no reporting on it, except that I would like to point out to you the myriad of problems that would exist. As I said a moment ago, we don't know who the owner is in many occasions. The warehouseman is not the taxpayer - he would not become the taxpayer if this bill were adopted making property stored in public warehouses subject to personal property taxation. The owner of the merchandise would be the taxpayer. Where that owner would be in connection with merchandise stored in public warehouses, I don't know at the time, and there would be a problem there as to the machinery, the method, the procedure that would be adopted if reporting was required.

I appreciate your patience. Thank you very much.

CHAIRMAN DUMONT: Mr. Yauch, when you submitted that information last week, I think at the time it involved somewhere between 30 or 35 companies that you had actually gotten returns from out of about 150, was it?

MR. YAUCH: Yes, out of 155.

CHAIRMAN DUMONT: Have you had any more returns in the past six days?

MR. YAUCH: There have been a few come in. Senator, I find when you get a group of people together, there is always a small group that cooperates and with the others it is like pulling teeth to get the information. I can make a further

effort by calling up and so on to have these figures be more representative of a larger group. I will be glad to do that.

CHAIRMAN DUMONT: Well, I don't think you ought to go to a great deal of trouble to get it, but if you have it, we would be glad to see it.

MR. YAUCH: If I get it, Senator, may I mail it to you?

CHAIRMAN DUMONT: If you will, please. Now, so far as the City of Newark is concerned based on the returns that you got - I think Newark was one of the cities you had listed there in the group of cities where the public warehouses were located in your report of last week - do you have any breakdown in reference to the returns you received as to just what in your opinion would be the loss to the City of Newark?

MR. YAUCH: I only had one warehouse in Newark and the ratables on that one warehouse are \$381,900.

CHAIRMAN DUMONT: You don't have any figures as to how much unemployment, for example, it might tend to create in Newark?

MR. YAUCH: Well, yes, and again I only have those figures with reference to this one warehouse. The one that I just referred to employs 114 people in its operation. Now, that is the difference between what Tom was referring to before, some kind of a cock and bull warehouse, and a genuine warehouse. He referred to a couple of people being in the warehouse. Well, there are 114 people who are working in this one warehouse that I refer to. And over in Jersey City there is another warehouse where the ratables amount to \$3,189,000, on which local taxes are levied, and that warehouse employs in its public

warehousing work 180 people. They are two large ones. I don't want to misrepresent here. They are two large ones and you won't find this 155 all that way, but relatively, according to the amount of business they do, they will employ the same number of people.

Another factor, some of these warehouses that have come into existence since 1925 are properties that have lost their utility, their original purpose. For example, there are some in Paterson - some of the plants that were originally used by mills. One of them is a public warehouse. I know in Newark there is a building that was converted to a public warehouse. As a matter of fact, the old Durant building was originally, as the name indicates, a building to manufacture the old Durant car and now it takes in a number of different types of business, among them being, a very substantial part, public warehousing.

SENATOR WADDINGTON: Mr. Yauch, you used many times the term "bona fide warehouse" which would imply to me that you feel there are some who are masquerading under the name of warehouse, which are not bona fide warehouses. In addition you state that if Mr. Hunt would go further in preparing his cases for presentation, you feel that the courts might throw out some of these non-bona fide warehouse operations. My question based on this would be: Do you feel that a clarification of the definition of "public warehouse" might be a proper course for the Legislature to take to correct some of these obvious inequities and injustices?

MR. YAUCH: Senator, I want to be realistic about this and not too partisan and I would like to be helpful in

answering that question. The present bill 86 which refers to resale - I think Tom Hunt said "Well, that takes in everything because everything eventually is meant for sale." I don't think that that is going to help any. I believe, notwithstanding what Mr. Hunt has said and Mr. Greene, that the courts don't legislate, they interpret the law, and I think the court has laid down a very definite course. Now, if Mr. Greene on a remand to this case and after presenting evidence which the court referred to here that they should present - if it develops that there is any deficiency in the law, then I think it should be tightened. But if it develops that the present law is adequate according to the interpretation of the court, then I don't see any need for it, and I am not trying to duck answering your question, Senator, but I have this in mind: Exemptions of this character are looked at by the court with great care. They are not favored. The original case that determined that this law was constitutional was Schwartz against the City of Newark and the court there held, and it is referred to in this General Electric case, that there was a proper basis on which the Legislature acted in exempting goods stored in a public warehouse. Now if we start defining what types of goods are going to be exempt and other things, I am concerned about going through the gamut of litigation and possibly running the risk again of finding unconsciously possibly in adopting amendatory legislation, we may create a frailty in the law. We know now that the court has approved the existing law. We know now that the court has chartered the way to deal with non-bona fides. I say this: If they try this General

Electric case out - it has gone back to the State Division - and they produce evidence of the character that the court said they should, and the taxing authorities in Passaic are hamstrung after they have used the machinery that the court gave them in this opinion, then I say let them come and they will have a more justified basis on which to ask the Legislature to amend this law. I think they should exhaust their means as presented by this General Electric case. If that doesn't amount to a practical remedy, then all right, then I say the Legislature should act.

SENATOR CRANE: Mr. Yauch, you have just referred to two states of mind. In other words, Mr. Hunt is an assessor and you are a lawyer and to prove that all legislators aren't lawyers, you are now dealing with an editorial mind so I am going to ask you a few editorial questions. You cited this law which I believe was adopted in 1925, is that correct?

MR. YAUCH: Yes.

SENATOR CRANE: This law is interpreted constantly through our courts and when the courts interpret law, they are apt to define the intent of the Legislature at the time.

MR. YAUCH: Yes.

SENATOR CRANE: In other words, it is the Legislature at that moment addressing itself to the problems of that moment and I have a fundamental concept that that is wrong because we have many statutes that are in need of constant revisions. Our existing statutes and our concept of moral law began with the laws of Moses and are under constant revision according to the concept of the day. Our gaming statutes which were once the

model of a churchman's desire perhaps, now do not meet with majority approval because they entail such things as bringing tennis contests and bowling contests, if they award prizes, under the connotation of gaming. So I feel that it is always right and proper for the Legislature to address itself to a given problem in terms of the modern day. And in this respect, let's just review this: In 1925 you believed that there were a number then, as there are now, of the type of warehouses that deal with product processing, with the storage of products during sales, and final distribution of service goods after these sales. Do you think they are greater in number now or are they --

MR. YAUCH: They are much greater now.

SENATOR CRANE: They are much greater now.

MR. YAUCH: May I say, Senator, on the matter that the law should be responsive to the times, we don't have to be concerned with our Supreme Court on that subject. They certainly, I think, have been attuned to the time. You know recently the charitable immunity and the matter of whether the release of one tortfeasor releases the other and basic things in law that have existed for years have been changed by the court because of the circumstances as they exist at this time.

Now as I pointed out there was a purpose attached to the bill in 1925. I can readily see that if that object didn't apply properly today, then I think properly the law should be either eliminated or amended. But I submit for the reasons that I have tried to give you here that it is just as appropriate today to retain public warehousing in New Jersey, to encourage it to stay here without abuses.

SENATOR CRANE: Well don't you feel that we can more or less sum up all the various clarifications that have been brought about through court decisions and embody them in an amendment to this law so it would be a clear-cut guide for the future because actually it is true that while this law was written in 1925 and we can admit that the majority of public warehouses are good, bona fide warehouses and that they have attracted new ratables, it is also true that we found there are loopholes which encourage abuse and I feel it is the duty of the Legislature to expose and close these loopholes through remedial legislation without penalty to fair warehousing practices.

MR. YAUCH: That certainly sounds justifiable, but may I offer this to you. As I said before, and I am not trying to throw up a scarecrow here, but I think it is a practical matter, we know what the courts have decided in connection with the existing law as to its constitutionality. Frankly, if we brought in a number of qualifications, for example, this exemption of perishable goods - whether that is a class of property that should be properly exempted, I don't know - would there be a sound constitutional reason why such goods shouldn't be ~~taxed~~ if you tax all the other goods in public warehouses. You see you are going to create an area of doubt and doubt so far as this law is concerned, gentlemen, is going to seriously adversely affect the business of public warehousing in New Jersey. I stated the last time I was down here that already because of this bill being pending - you know that any tax bills that are introduced get into the tax services, the

state tax services, and it goes out throughout the country - in one case particularly a national concern sought my advice as to what the possible effect of this bill might be. And it has discouraged them for the time being from coming into the state. Now if we open up this subject by adopting new legislation by way of amendment, you are going to create an uncertainty, Senator. And I don't think, with all due regard to Mr. Hunt, the abuses justify the remedy which they are seeking to impose because the large percentage of the business I submit is legitimate warehouse business. If there was no remedy available and these people were getting away with murder with impunity, then I would say all right, you should act. But at this point, let them try what the Supreme Court has told them to do, try this case over again before the State Division. Let's see what happens. Perhaps Mr. Hunt's concern will be eliminated.

SENATOR CRANE: I have one last question and then I want to defer to my colleagues here. Actually I believe what Mr. Hunt suggested was a type of amendment which would be in example a specific exemption law. Many of us who have talked to the point of Sunday closing have discovered through various surveys that specific exemption law with respect to Sunday closing is apt to be held more constitutional than any other type of Sunday closing law throughout the United States. And there have been many abuses which have been exposed, I think, at these hearings and through the press. In other words, we know that pre-cut housing material has been the subject of processing, storage during sales, final distribution after the service of these goods after their sale. They add to that list washers,

dryers, radio and T.V. sets, phonographs, and refrigerators. Now wouldn't it be worthwhile to envision a specific exemption amendment which would set forth these various features? It would seem to me worthwhile to do that. It would certainly clarify things. You would know what was legal and what was not legal.

MR. YAUCH: Well, if that could be accomplished, I think it would be a step in the right direction. But I think as we stand here now, if what I say is so - and I am not asking you to take it at face value - I am suggesting that you wait until this case has been reheard by the State Division. If what I say is so that under the present law there is sufficient remedy available to deal with these problems, then I don't think you need legislation. I think it is a mistake, Senator, when a person loses a case in the lower court to come down to the Legislature to try to get a reversal. I think they ought to do it in court.

In this situation all I am suggesting is - and I don't think it is too unreasonable. The State Division is in session now. While I realize they have a great backlog of cases, but upon an application I should think they could expedite this case. All I am suggesting is that for the time being, at least, the City of Passaic retry this case and present the evidence which the court has suggested. If they find that they are frustrated and they need a legislative remedy, that is one thing. Then some of my arguments here are going to lose some of their vitality, I think, under those circumstances. Then you can pinpoint what is necessary to close the loopholes which are shown up by the final decision that will be made in

this General Electric case. If it weren't for this General Electric case, I would have difficulty, gentlemen, in conscientiously arguing this matter before you because as Mr. Hunt has said there have been some varying opinions on the subject. But this is the court of last resort. The path is chartered now. Let them try it and see what happens.

SENATOR FOX: Do you know of any other situations in contiguous states where this exemption is in effect in one state and not in effect in another and the effect that it might have? For example, let's go out to the Pacific Coast. Let's take the Port of San Francisco in California, the Port of Seattle in Washington or any such example as that. Do you know of any such situation as that existing in the warehouse industry and what its effect has been?

MR. YAUCH: It is strange that you should ask the question because at lunch the group that I am with, the warehousemen ---

SENATOR FOX: Let it appear as a matter of record that I didn't talk to you during lunch.

MR. YAUCH: (Continuing) -- brought up that question. No, I didn't see you during lunch, Senator Fox. There is an American Warehousemen's Association. When this problem arose originally, I wrote out to see what they might have by way of experiences in other states and I haven't anything along the line that you have just inquired about. I did learn of a situation in the State of California where a personal property tax was assessed and apparently they didn't have one of those averaging statutes. The assessment was made as of a certain assessment date, May 1st or whatever it was. They found out

as a result of their experience a lot of merchandise was either not shipped into the state so that it wouldn't be there by May 1st or else some of it was just shipped out before May 1st.

SENATOR FOX: Of course, that wouldn't be analogous.

MR. YAUCH: No, that is not the situation because here we have an averaging statute as I understand it.

SENATOR FOX: Let me ask you this, Mr. Yauch, in connection with Mr. Hunt's statement. I will try to quote it correctly. On the basis of the figure of $12\frac{1}{2}$ per cent on one return - is that right, Tom - it amounted to about $1/7$ th of one mill.

MR. HUNT: One-seventh of a mill on the volume of business they had done.

SENATOR FOX: Would you concede that to be an undue burden on the warehouse industry?

MR. YAUCH: I can't concede those figures. I don't know what warehouseman Tom got that information from. When I was talking with him informally last week about this general subject, he mentioned that at that time. I don't know what warehouseman he got that figure from. He mentioned, I think, in connection with that case a volume of about seven million.

MR. HUNT: Ten million.

MR. YAUCH: Ten million. Well, if you have that much volume -- Was that ten million the income of the warehouseman or the value of the merchandise that was handled in the warehouse?

MR. HUNT: John, you know from experience that the warehousemen don't give me any information so it must come from the owner of the goods.

MR. YAUCH: They called me up, Tom. You were there last Friday with your group of assessors and you went in there and they allowed you to go through the warehouses. As a matter of fact, I forgot to mention that. Tom can get that information. If there is an appeal before the County Board, he has a right to subpoena the records of the warehouse. I know he subpoenaed some records from clients of mine, not in the warehouse industry, but in other situations.

MR. HUNT: May I ask a question after you are finished, please?

CHAIRMAN DUMONT: Any other questions by the Commission? Assemblyman Farrington.

ASSEMBLYMAN FARRINGTON: Mr. Yauch, a while ago you expressed the opinion that this tax would result in kind of an impediment with respect to the use of warehouse receipts in commerce. Is that because of a fear that there may be some sort of a lien attached as a result of the tax or an actual levy made while the paper is being used in commerce?

MR. YAUCH: As far as negotiable receipts are concerned, yes.

CHAIRMAN DUMONT: Any other questions? Mr. Hunt, do you have a question?

MR. HUNT: Mr. Yauch, you refer to a steel company. I think you and I are well acquainted with that case.

MR. YAUCH: Now, Tom, are we going to drag up the past fifteen years ago?

CHAIRMAN DUMONT: Just one second. If you want to get this on the record, you have to be sure to talk into a microphone.

MR. YAUCH: Tom will never forgive me for beating him in this case. It was fifteen years ago.

MR. HUNT: In connection with this particular steel company, were the facts as I gave it to the Commission correct?

MR. YAUCH: Right, and you were nice enough to say that that condition has not been repeated.

MR. HUNT: And isn't it a fact that you, yourself, did not agree with that action by the company?

MR. YAUCH: Yes.

MR. HUNT: Now you speak about 114 employees. Is this the same company that we are referring to now?

MR. YAUCH: Yes.

MR. HUNT: Isn't it a fact that this company does trucking and isn't it a fact that there are lots of storage goods in that particular warehouse which are taxable?

MR. YAUCH: No. The last part, no. There are lots of goods in the storage warehouse.

MR. HUNT: Don't you have a client in there by the name of the Beechnut Gum Company that pays on a \$35,000 assessment in the City of Newark?

MR. YAUCH: They have their distribution center there. That is a different matter.

MR. HUNT: It is part of this same building. Now, isn't it a fact that the trucking for those people is done by your particular clients?

MR. YAUCH: Tom, that warehouse - at least 90 per cent of it depends on public warehousing income and if it wasn't for the public warehousing, we wouldn't need any trucks.

MR. HUNT: But all these 114 employees that you refer to are not working within the part of the building in which you claim goods are stored.

MR. YAUCH: Yes, they are. That is our office staff, our supervisory employees, the people that handle the merchandise of our customers - all of that.

MR. HUNT: Isn't it a fact that in the corner of this building there is a bank?

MR. YAUCH: Not any more, Tom. You are a little bit behind the times I think.

MR. HUNT: I mean up to the time we tried the case.

MR. YAUCH: You mean fifteen years ago.

MR. HUNT: Isn't it a fact that this particular case was tried before a quasi-judicial board and then went up higher?

MR. YAUCH: It didn't go beyond the State Division, did it?

MR. HUNT: No, but we took it to the State Board.

MR. YAUCH: Yes. That is as far as it went.

MR. HUNT: Isn't it a fact in 1956 when there was a bill in this Legislature for the repeal of the warehouse exemption that you in conjunction with the warehouse people came here opposing that bill?

MR. YAUCH: For the same reason I am here now.

MR. HUNT: But you say if it wasn't for the General Electric decision which came out recently, conscientiously you couldn't oppose it. Yet in '56 you did oppose it.

MR. YAUCH: Tom, the remedy that you wanted to give in 1956 reminds me of trying to cure a headache by chopping the

patient's head off, as I said here before.

MR. HUNT: I am not talking about any remedy; I am asking you for the facts.

CHAIRMAN DUMONT: Just a minute. We don't mind your cross examining each other if you wish to do it after the hearing is over, but I think it would be better if you each present your basic viewpoints and limit the questioning to some extent. This goes back quite a ways, fifteen years, and maybe it does have some bearing on the issue, but what we are considering now is a bill in 1959. Do you have anything further, Mr. Yauch, that you wish to say?

MR. YAUCH: I was tempted to ask a few questions. That is why I got on my feet before. But after I got on my feet, I decided I would only become argumentative. I think Tom is entitled to his viewpoint. I have tried to give you mine, and it is up to you gentlemen.

CHAIRMAN DUMONT: Are there any further questions now of Mr. Yauch? (No response) Thank you very much, Mr. Yauch.

MR. YAUCH: Thank you.

CHAIRMAN DUMONT: Now, Mr. Hunt, we will call you for the Port Authority letter and anything else that you wish to say.

MR. HUNT: I have read the letter from the Port of New York Authority concerning its expansion into Elizabeth and the southern end of Newark.

I would like to give you a history of the Port of New York. The Port of New York has developed our seaway and our airport in the City of Newark. It is not only developed

for warehousing; it is developed for many various types of industry. So judging from the experience that we have had in the Port Authority and the experience we have had in the City of Newark, it is hard for me to see how taxes are going to retard this development and I am not saying you should penalize them because it has advanced. Most of the land required in this development is pretty well picked up already. In fact, there are potential lessees on the transit sheds at least in the southern end of Newark bearing on the creek, and the Port Authority as a general rule before it starts construction has potential tenants. Now, we don't hold that all goods in Port Newark are taxable. The most recent and largest company that has come into the Port Newark area has been the Norton Lilly Company. Now, the Norton Lilly Company has a very, very large transit shed and no goods come into the Norton Lilly transit shed that is destined for delivery in Port Newark. Most of the freight that comes in on the Norton Lilly Line is destined for other locations and therefore the material in the Norton Lilly Company is in transit; it hasn't reached its final destination.

Now, another late one that came into the Port Newark area was the Petri Wine Company. It is certainly not a storage plant. We have in the Port Newark area Swift and Company. We have many, many assessments of personal property in the Port Newark area.

I would assume from past experience that with the expansion of the Port into Elizabeth you would run into the same conditions that we have in Newark, namely, some of it

will not even enter into the question of whether it is stored in a public warehouse or not - some of it will be in transit sheds of the type I have described with Norton Lilly and therefore will not be taxable. And I don't think even this Legislature has the power to tax the goods that are in transit or imports, and if it is an import so long as it is in its original package. I think these are Federal restriction that we have. So that I would assume that this \$275,000,000 which the Port Authority is intending to spend over the next ten or fifteen years in developing the extreme south of Newark and the Port area and Elizabeth will not be stopped or will not be retarded by anything you do in this type of taxes.

That would be the best answer I could give, Senator Crane, at this time. It is based entirely upon what I find the Port of New York Authority doing in the City of Newark. They have spent millions and millions on our airport and in our airport we don't get hardly any tax. In fact, if you have ever stopped at the airport in the restaurant - the utensils used in the restaurant, the tables and the chairs and the knives and the forks and the material that you use - that is all owned by the Port of New York Authority and it isn't taxable because under our statute we can't tax the Port of New York Authority. So I think that is about the best answer I could give you, Senator.

CHAIRMAN DUMONT: Any questions?

SENATOR FOX: You disagree with the gist of their statement when they say "The Port Authority is convinced that any substantial alteration in their tax structure will

materially impair the projected future development"?

MR. HUNT: I certainly do. If you notice when they go into the 40 per cent of it, they are very careful to put in there "Newark dash Elizabeth." In other words, the existing area and the amount of goods that they are involved in right now would be part of that 40 per cent. In other words, they are not going to bring into Elizabeth and Newark 40 per cent more.

ASSEMBLYMAN FARRINGTON: Basically your disagreement is just this, that you don't think this tax will drive the industry out of the state.

MR. HUNT: I certainly do not.

ASSEMBLYMAN FARRINGTON: That is basically your disagreement, isn't it?

MR. HUNT: You must go by experience. Theoretically, we can go far afield. But in talking to the general industries - and I have had a vast number of years of experience - taxes is not a problem to them. Now, personal property taxes is a problem and has been a problem along the line of Senator Waddington's tax lightning. In other words, if the average industry knows in advance what his taxes are going to be, they are not worried about them. I have less trouble with industry on assessments than I do with any other type of taxpayer, as long as they know in advance of the time they are setting up their costs what their tax load is going to be.

CHAIRMAN DUMONT: Anything else, Mr. Hunt, that you want to add?

(Discussion off the record.)

MR. HUNT: John spoke about the sales tax in New York and the use tax. I think we have all had occasion at some time or other to purchase some goods in the City of New York. If you buy a suit of clothes in the City of New York and have it shipped to your home, you have no sales tax. So when John says this merchandise goes to other parts of the country, there wouldn't be any sales tax or use tax. Now, the warehouse people are not going to pay a single dollar more of taxes than they are now paying. Our present law says the property shall be assessed to its owner where found and the warehouses do not own this property. We will have to assess it to the owners of the property.

They talk about the goods that is brought in and isn't used in this state, that most of it goes out. Port Newark is quite an example of goods coming in. For the life of me I couldn't see why they would bring lumber from Guiana and the western part of the country into New Jersey and then ship it out to the west again. And you will find in Port Newark lumber is one of the biggest products down there.

So that this sales tax that they talk about and the goods going out of New Jersey -- and by the way I didn't mention it, but there is a case on record in which we could license them. In fact, in a certain town in which they used a certain specific dollar for a license under the license statute, the court held that it was reasonable and in that particular decision you will find the court says that the license fee is reasonable because it does not exceed the amount of the tax they paid the previous year. We don't believe in licensing. We believe if we license, we have to license our industry.

What we are trying to do is get everybody on an even keel and that is all we are asking this Legislature to do.

They talk about the act adopted in 1925. I am wondering why the people in the State of New Jersey have paid legislators for the last 30 years when we had good laws in 1925 and why we are paying all you folks and the other 81 people.

CHAIRMAN DUMONT: They didn't pay them as well in 1925.

MR. HUNT: But they had better laws evidently because nobody wants to tamper with them. Each and every year you have tampered with the tax act. In 1928 we tampered with the automobile. In 1938 we tampered with the insurance companies. In 1945 we tampered with the intangible tax. And I don't think there is a single year in my 39 years with the City of Newark that the Legislature didn't come out with some change in the tax structure, mostly taking away because it has been mostly granting exemptions. So when they talk about the conditions in 1925, I want you to bear in mind that in 1925 this state or no other state had over-the-road trucks like we have today. In 1925 we depended probably 90 per cent on railroads and water, and the purpose of the warehouse then was to take it from the water while it was waiting to be loaded on the train for shipment or vice versa. You had no automobiles.

Today you have over-the-road trucking. One of the biggest ones we have is the Port of New York Authority Terminal that is in Newark, in which they have half loads. And if you are going through Newark, just take a look at the piggy-back loads down in Port Newark that are in transit. If you are going

on the Turnpike and you go over to Bayonne on the spur going over to Bayonne, I will make you a bet you will see a thousand of these box cars which we commonly call piggy backs that are used in transporting goods. We don't attempt to tax that. That is your rapid transit. And today it is getting to be an industry.

I would like for you gentlemen, no matter what you do on the statute, if you want to feel the pulse of the people - my tax bills go out June 1st - I'd love to have you come in and stay in my office and hear the taxpayer, the homeowner, tell you what they think of you - not so much you as what they think of me when I try to get a dollar from them. And that is how you feel the pulse. And when I talk to them about a warehouse, they are liable to put me away to think that they don't pay taxes.

In closing, and I hope I don't have to come back - I have work to do in Newark - in closing I invite you at any time to come to the City of Newark, and the best month to come in is in June. You can come in and spend all the day with me. I will guarantee you will have a good lunch. I will buy you cigars. Don't take what I say. That is how you feel the pulse. You don't feel it from me and you don't feel it from my friend John Yauch. That is how you will feel the pulse of the people. You don't feel it through the speakers that come here. You talk to these people. Sometimes your heart would bleed when I am trying to tax them on the basis of our present statutes and you run into a family where they have cancer in the family. It makes me sick going home at night to think I have to take

money off of them. It doesn't worry me a bit about a corporation. A corporation is well able to pay to protect themselves, but the poor person living in the home has nobody to protect him.

With that thought in mind, I will leave you and good night. Thank you.

(See next page.)

CHAIRMAN DUMONT: Thank you very much, Mr. Hunt.

Mr. Floyd Becker of Roseland, New Jersey.

FLOYD E. BECKER: I am speaking principally from the agricultural standpoint, the farmer of New Jersey.

Taxation is the number one problem. The farmer has to have a lot of land; he has to have big buildings. The average person, not acquainted with farming, thinks he has an ungodly lot of land and why all big buildings. But he has to have them. After all, if you don't have agriculture, you won't have anything to eat, and that's what keeps us alive. It is recognized today that agriculture has the largest investment per worker - the largest investment per worker of any other industry in this Nation.

There have been a great many variations and methods by the different assessors but of late it has gotten to the point where we must have some relief. I don't like to use the word "must" but when you get down to a point in self preservation, in desperation, it seems the only available word that will cover the problem.

We would like to have some provision in the new law - we don't ask for any favors, all we ask is for fairness.

The New Jersey Farm Bureau has a brief, I believe, filed with you people which covers a lot of the things that I am saying today, and it's a very wonderful brief. It has been studied by the Farm Bureau which is all made up of farmers. And the farmers are facing severe economic dislocations through the taxing policies of many rural communities. Farm land and buildings used for the production

of agricultural commodities are often being appraised at levels far beyond their earning capacity.

We would like the establishment of a precise definition of farmland and farm buildings, as near as possible, and have them assessed in direct relation to the agricultural purposes.

This position has been agreed by people who have been closely involved in trying to make fair appraisals of farm land. At the Assessors Institute held at Rutgers University speakers on this subject have urged that the assessment of farmlands should be based primarily on their use.

There are instances on some farms - we have thousands of farms today that are along the city limits from the north to the south and they say, "Well, that farm should be sold." Well, when that farm is sold you still have another farm. Where is the end? This is eternal. There is no end to those things. There will always be farmers next to these cities regardless of how many are bought in. So, if it isn't one man's farm, it's the next man's farm; if it isn't his farm that's taken over there will still be another, and there should be some consideration made.

There are some instances, I know of quite a few, where some farmers - the worst one was where the farm help on that farm had about 7 to 8 children go to school but he paid 12 to 14% of the school tax. Now, you will find that to a degree more or less, probably less, all the way down the line.

These are things that I think the Legislature should

consider. We can't tell you what to do but we can ask for consideration.

Of course, I think New Jersey farmers, as a whole, are the highest in agricultural assessment in the Union. I'm not sure but I think we are pretty near the highest. Maybe some of you gentlemen know better than I do on that but that is more or less my opinion.

There is a group of 25 or 30 farmers that I associate with and I tried to get them down here but -- Now, there is another item, sales tax. All right, you say, if agriculture needs relief, where are we going to get the money? Well the most natural way to me, and a lot of others, is the sales tax. You say, "Well, the sales tax hurts some people." Well, if there is a wealthy man he will probably spend ten times as much as another man. So, he will pay ten times the tax.

Another thing, a man can control his sales tax a little bit, what he pays. He can control his purchases and he can if he has to. It's a little flexible. Whereas, when you get a certain assessment on your real estate you are just there and it's constantly over your head and there is nothing you can do about it. But with a sales tax, you do have a little control. And I think that is one of the solutions. That's my opinion.

I don't want to sit here and take a lot of your time. I think that covers most of it. We feel that there are roughly four sections -- I mean, there is agriculture, there is industry, there is business and there is the private home, roughly divided into those problems. And as I said,

I think the last time I was down here, that some states have gone into special classifications in conjunction with zoning. Well, I don't know too much about it but there is one thing I do know and that is that all the farmers in New Jersey need tax relief and also those who are bordering the cities - that cannot be stressed too much because the farmers bordering the cities and the towns all the way from Cape May up to the Hudson River, or back in, all of those farmers need relief and I think the Farm Bureau bears this out in their statement.

I would like to repeat, I know the question has come to me, "Well, let this fellow or that fellow sell his farm." Well, there will still be another farm right next to the industry, no matter how far it goes; that's eternal. You will have that problem of farms joining towns the rest of your life. So we feel that agriculture should have some consideration in giving us relief of the taxes.

There is one thing, where the farms near the towns or cities have been assessed on a front footage basis which is not fair. Sure the residence on the farm, if he has an acre of ground and his house, that should be assessed the same as real estate. If he has a processing plant on his farm that should be assessed as industry. But the section of land where you produce, and you watch things grow out of the soil for people to eat, those things should be -- well, they need help where they have so much land.

I guess that's enough. You probably are tired listening to me. I am down here for the second time.

CHAIRMAN DUMONT: That's all right, Mr. Becker.
Do you have anything more you want to add?

MR. BECKER: No.

CHAIRMAN DUMONT: Are there any questions?

MR. BECKER: There is one thing I wanted to ask you. There was a gentleman down here, the third one before me, I meant to get up and ask him, - he had some good stuff - I don't know what his name is, he's gone home.

CHAIRMAN DUMONT: Do you mean Mr. Greene who represented the Association of Assessors?

MR. BECKER: Probably that was it. I was going to ask him, and I didn't get to it, what he thought of this agricultural problem. If there are any Assembly members from Essex County, how do they feel about the farmers? Although there aren't many farmers there, we have 15 or 20 left, I guess.

CHAIRMAN DUMONT: Assemblyman Matthews.

ASSEMBLYMAN MATTHEWS: Well, Mr. Becker, a number of the assessors who have testified have testified aiming their comments at the use of property in the cases of farms. I call to mind Al Weiler from Maplewood, former President of the State Assessors Association, who thought that what we're doing more and more in modern legislation is putting the farmer in the same class as the industrialist, and he thinks that is rather a poor approach. Now, I am inclined to agree with him but the problem remains, of course, that you cannot set up a separate classification of real property for the farmer unless you are going to classify all real property

in New Jersey. I will go this far, I will say that I don't think that farm lands should be assessed at the value it would have for development purposes.

MR. BECKER: That would be suicide.

ASSEMBLYMAN MATTHEWS: It would be suicide to the farmer.

MR. BECKER: And that wouldn't stop it there because if the farm was sold and industry came in you would still have another farm to consider. You get my picture. Well, I talked to Weiler yesterday, I went down to his office in Maplewood.

ASSEMBLYMAN MATTHEWS: I talked to him at a quarter of six last night.

MR. BECKER: Well, that's good. Then you talked to him after I did. He read me a letter that he sent to you people and he did bring something out about farm in there, but it was late when I got down there and I just didn't get the full gist of it, but he did mention farms. What solution he had, I didn't quite get. Did he have any solution at all?

ASSEMBLYMAN MATTHEWS: I don't have that letter with me, Mr. Becker. I got it yesterday morning and it's back in the office.

MR. BECKER: Well, we really need some relief. I mean, it has gotten to the point - not only ourselves but all the way down the line - I can name quite a few farms all the way down the line, from Cape May on up, because we have a place up in Sussex County anyway and I know the farmers up there, I know some in Warren County, in fact all my folks came from Warren County and Hunterdon County, years ago; that was 75

years ago and I still have friends up there. But that is one thing, we don't want any favors but we need relief of something in the taxation. You take as far as ourselves are concerned, we furnishing the largest percentage, - I think our percentage is around ten percent that we pay of the school tax and we only have about one and one-half percent farm children going to school. Now, that helps the home owner, which we are glad to do if we are able but when you are not able after a while, you know there comes a time when some relief has to come.

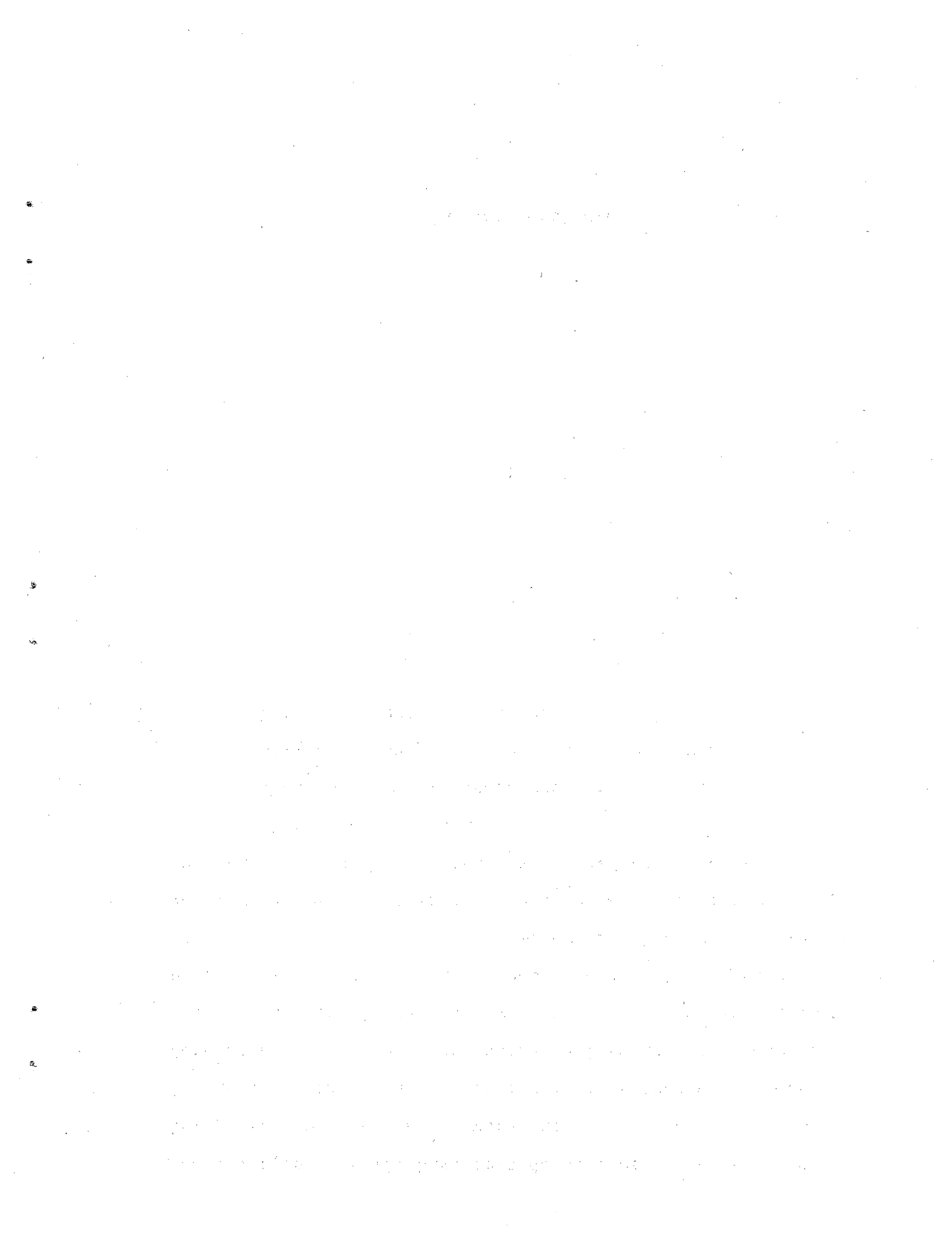
Thank you very much.

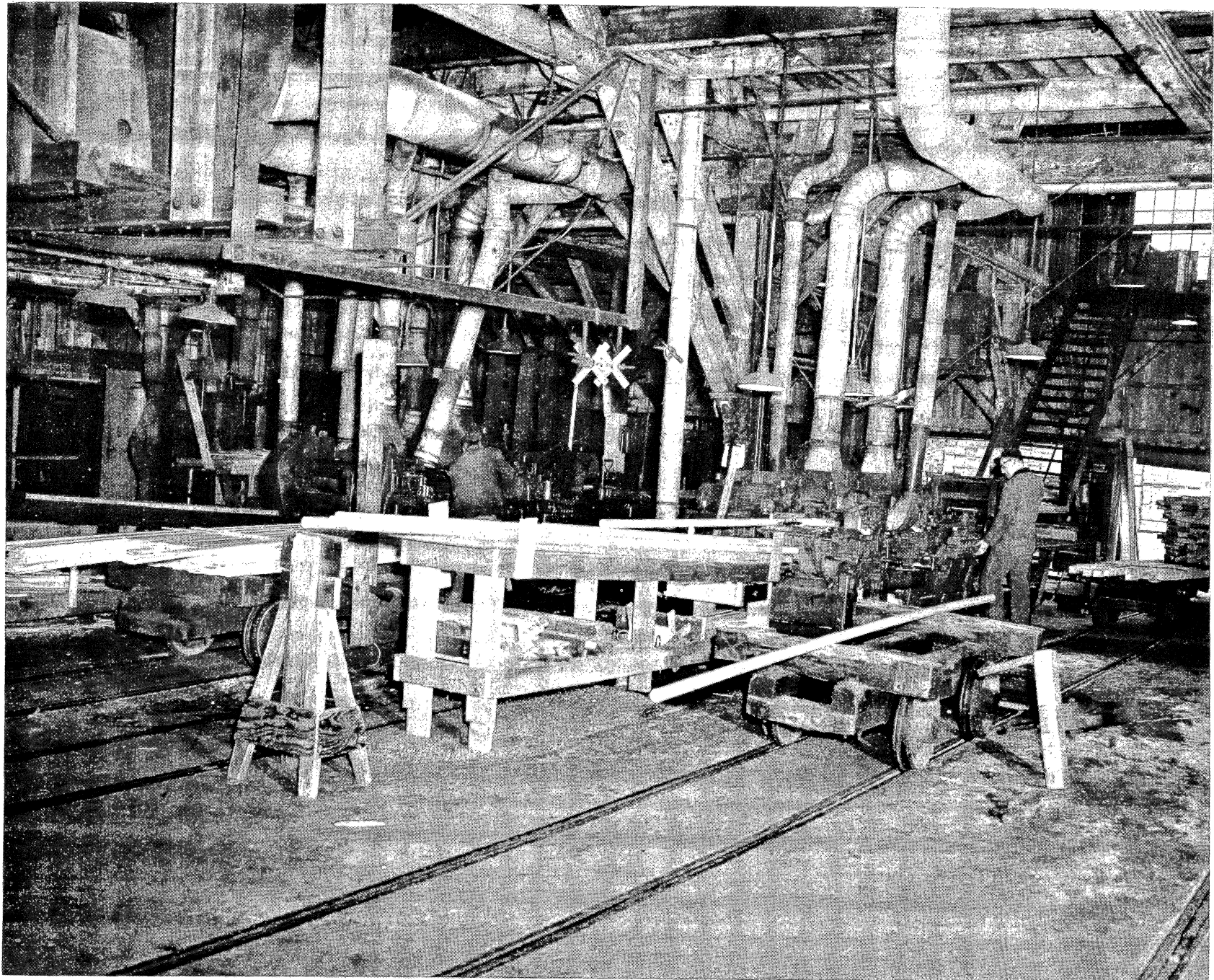
CHAIRMAN DUMONT: Thank you, Mr. Becker.

Now, does anyone else desire to testify?

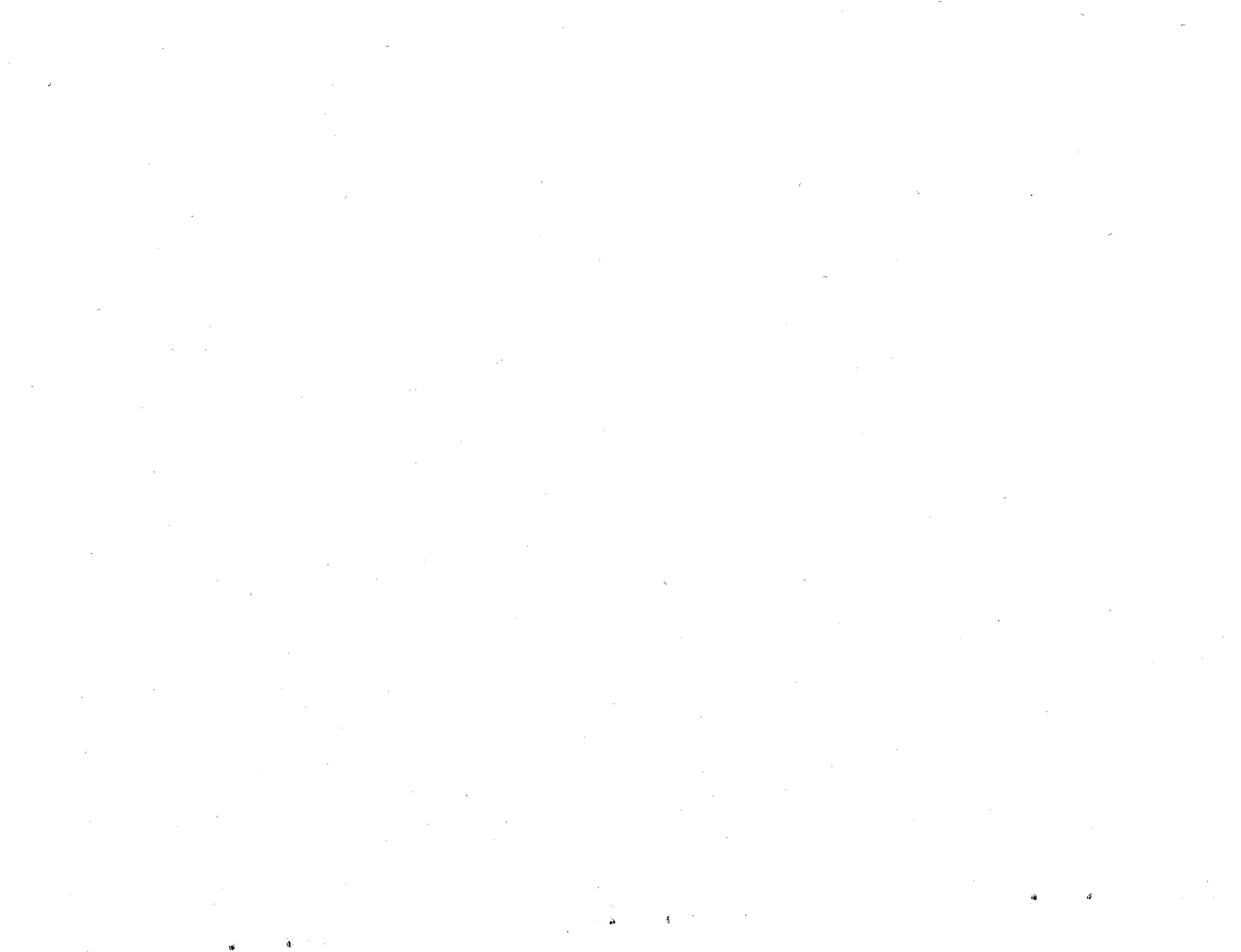
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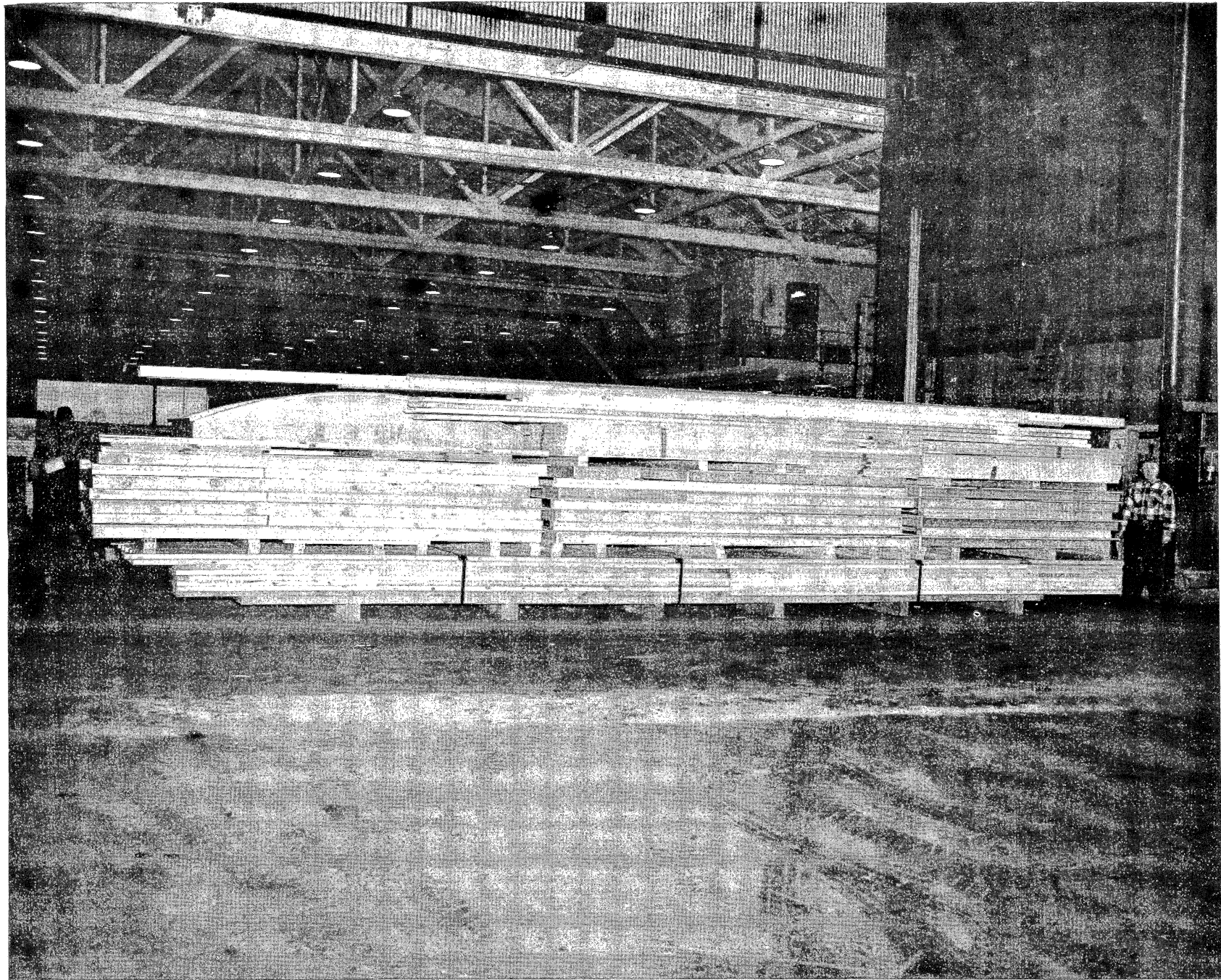
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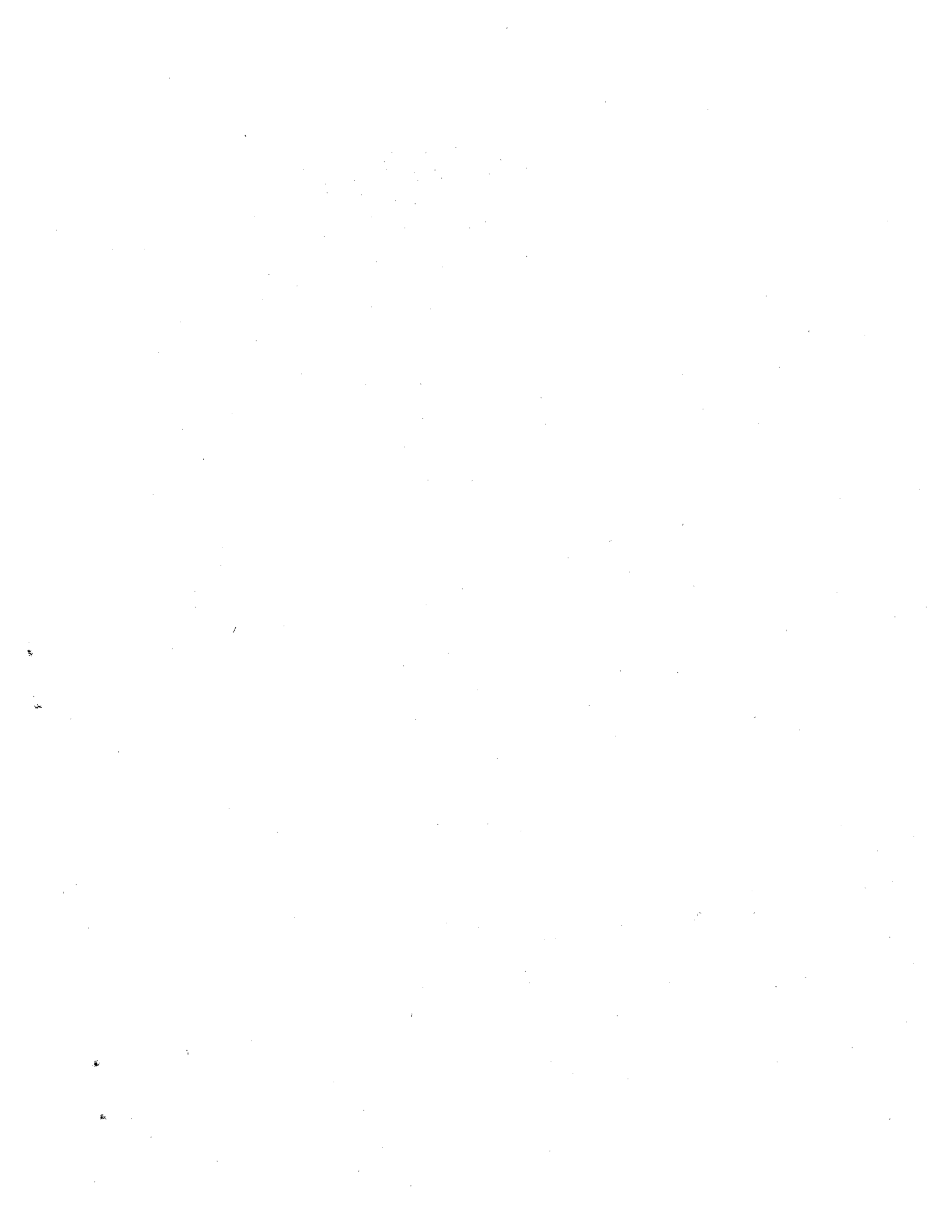


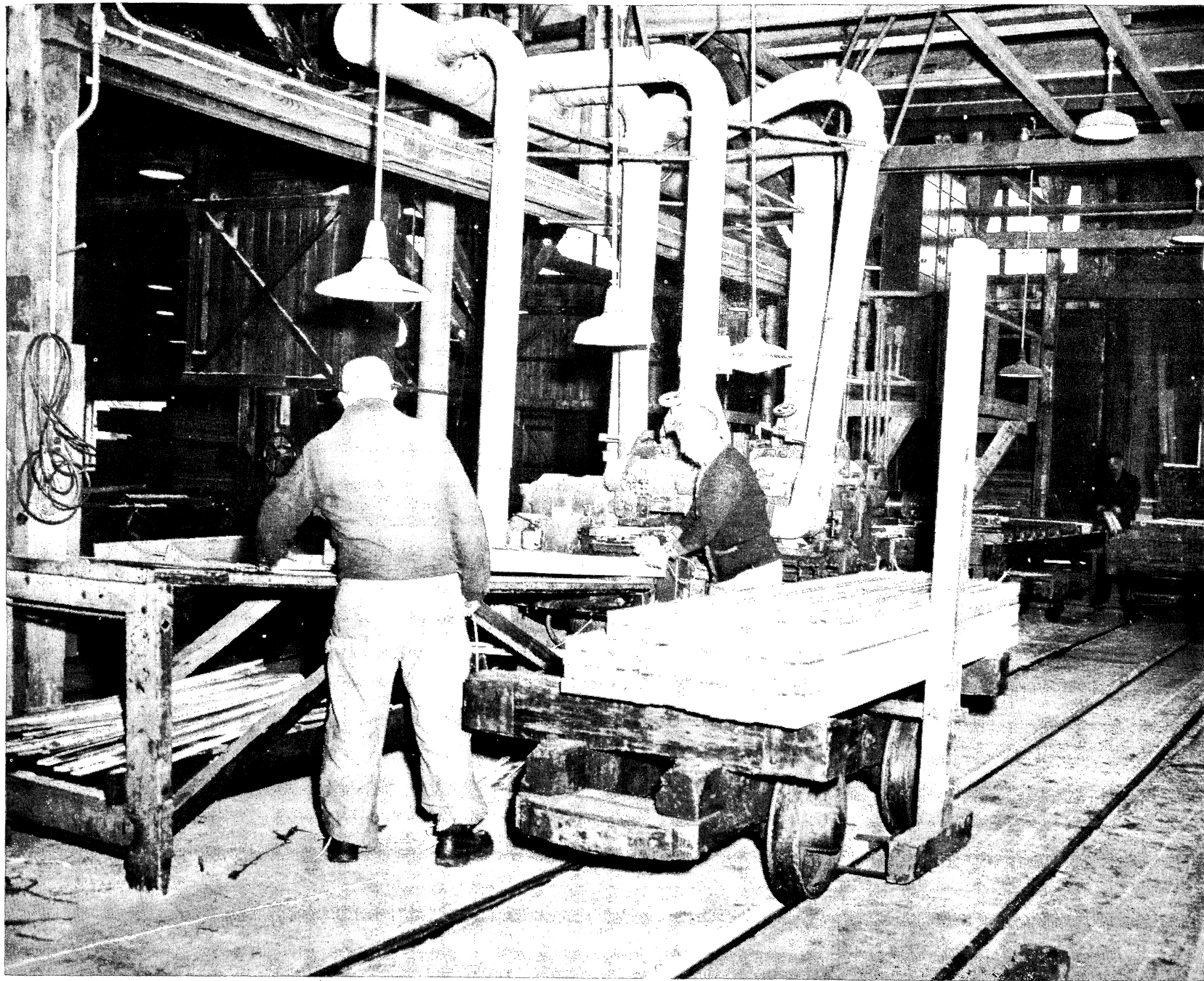
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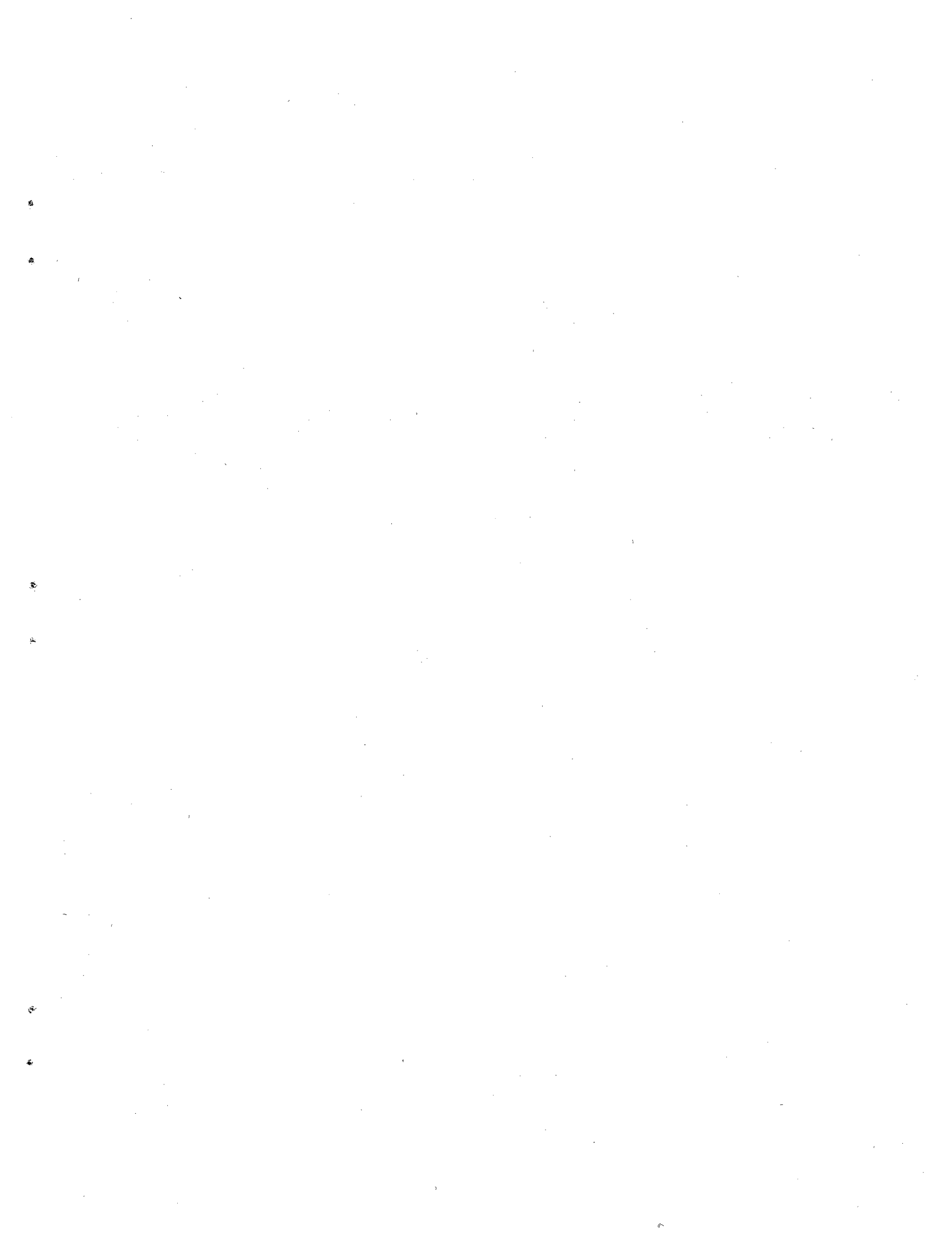


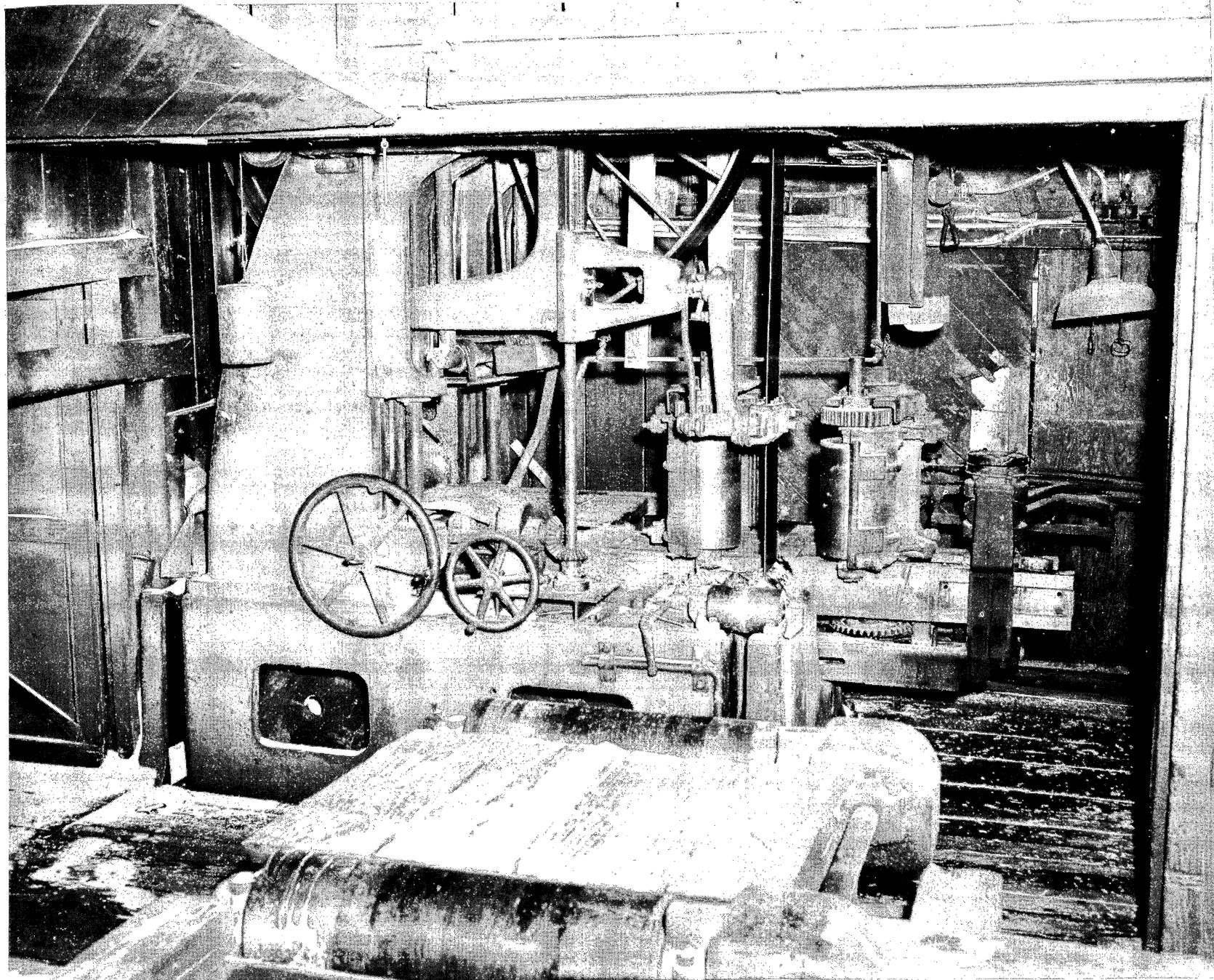
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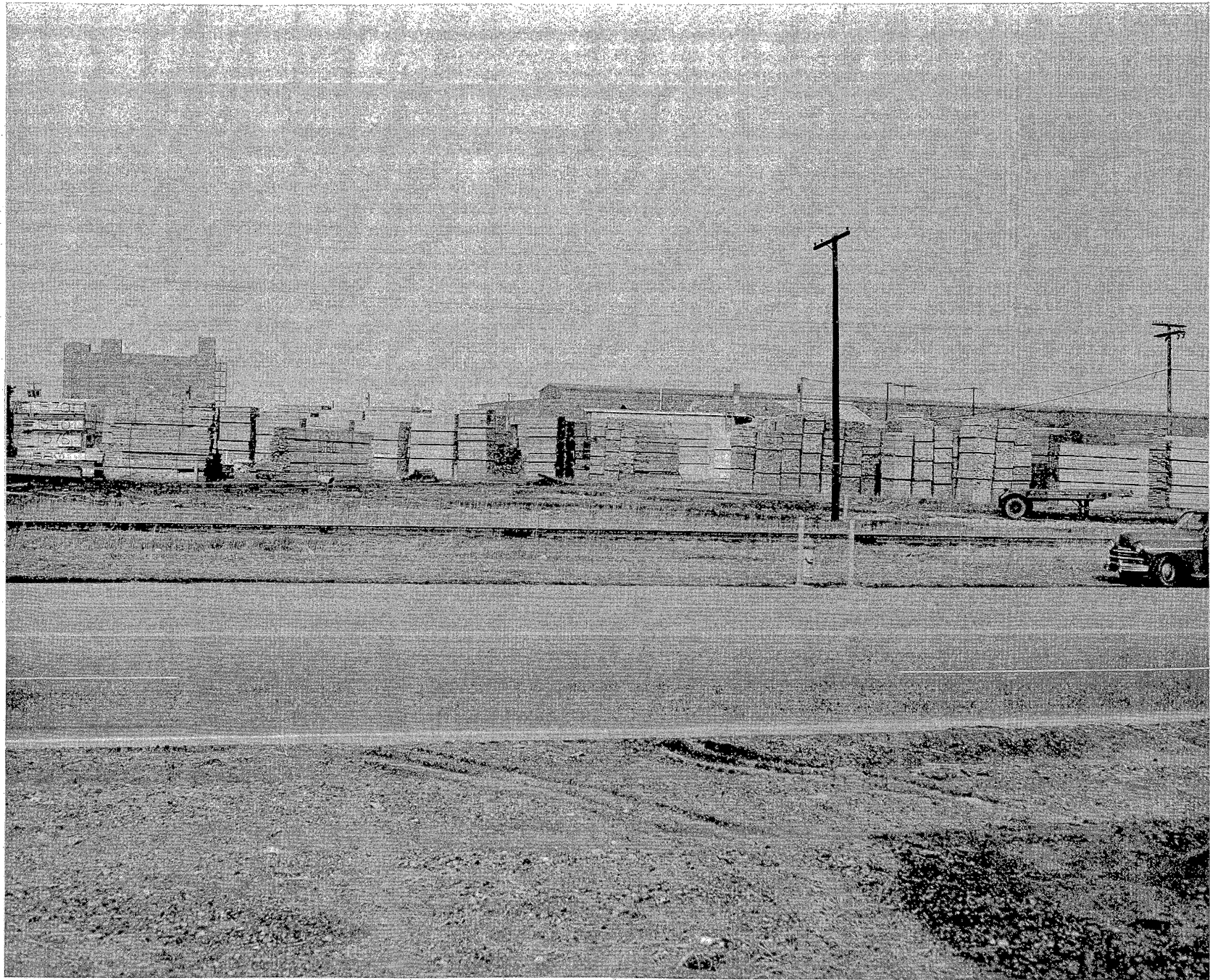
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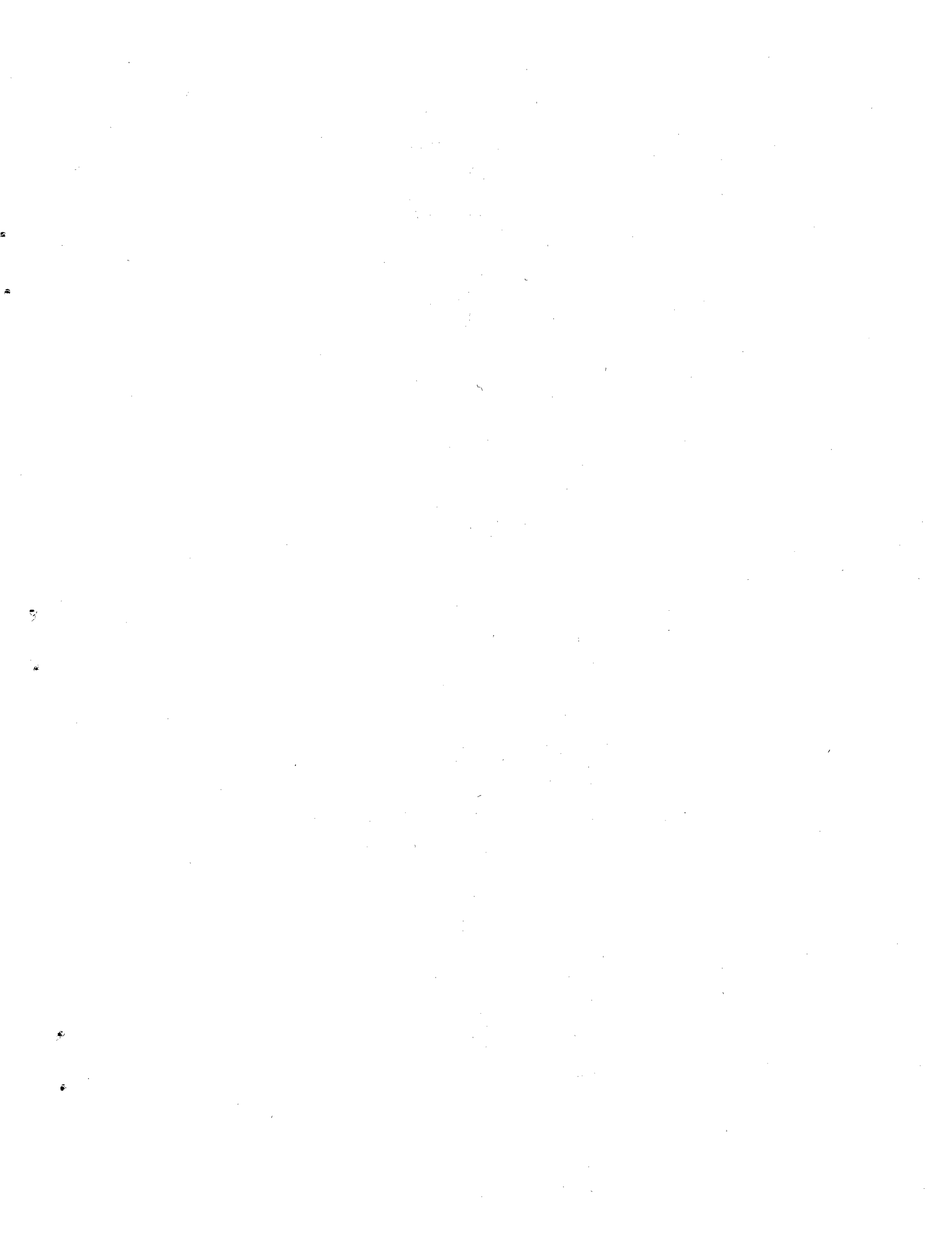


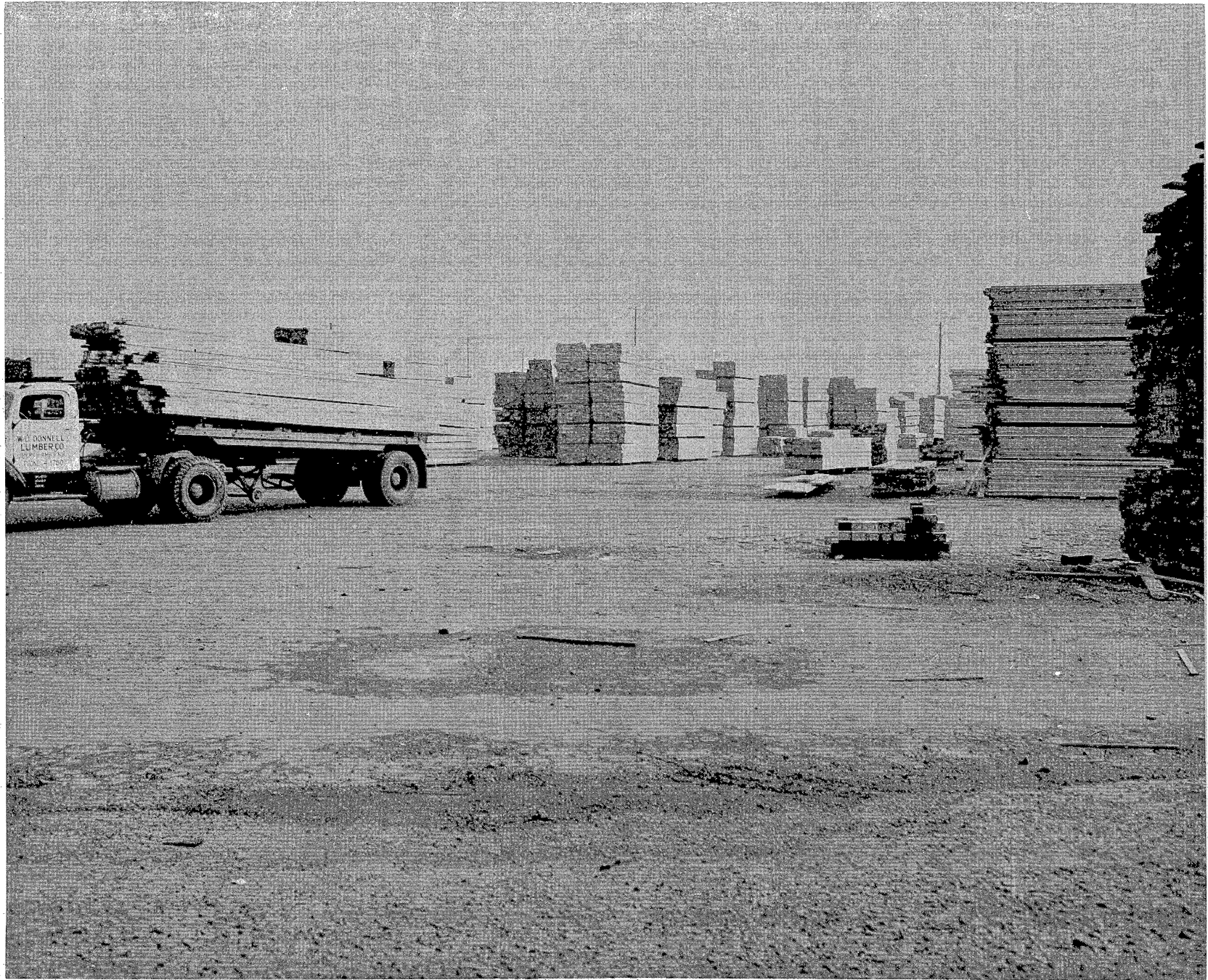
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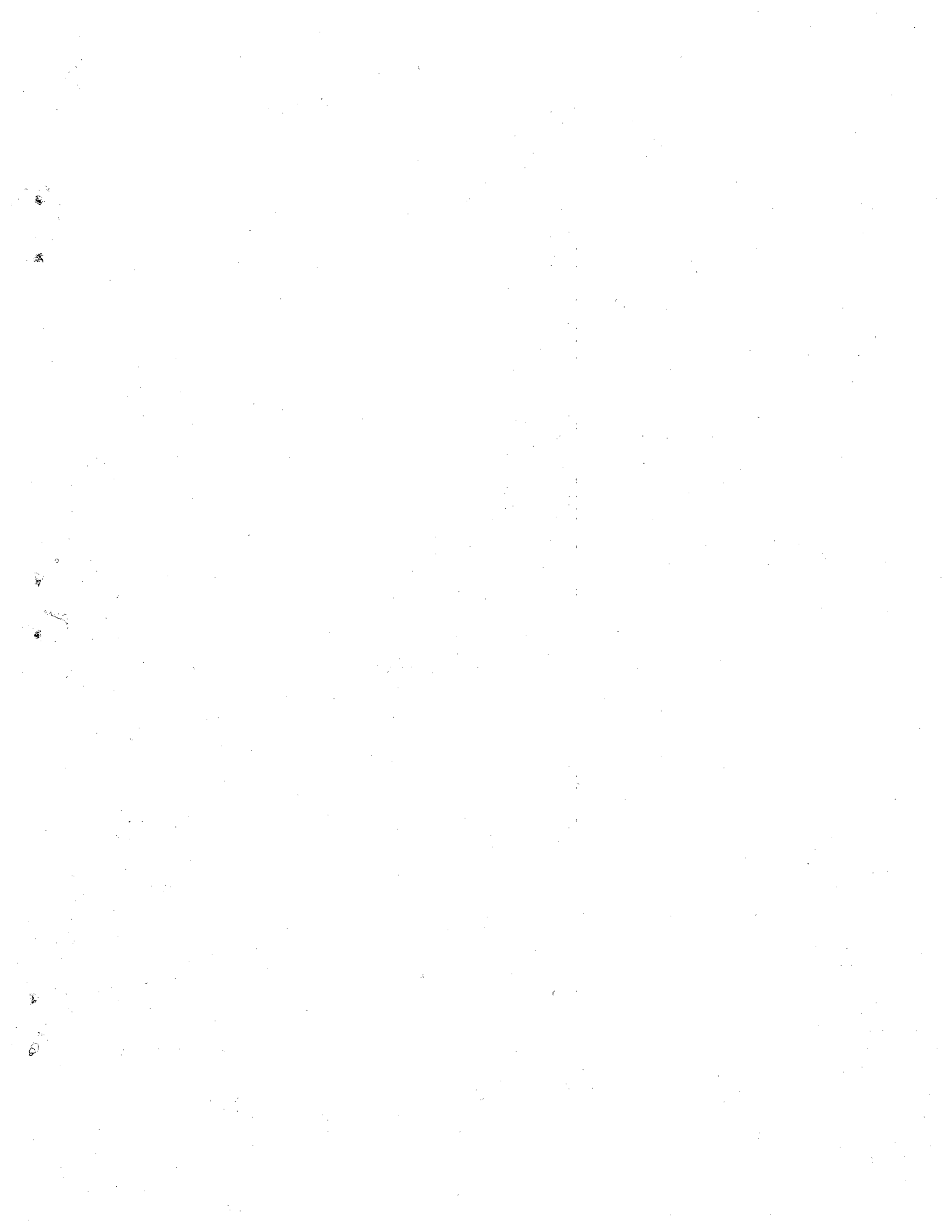


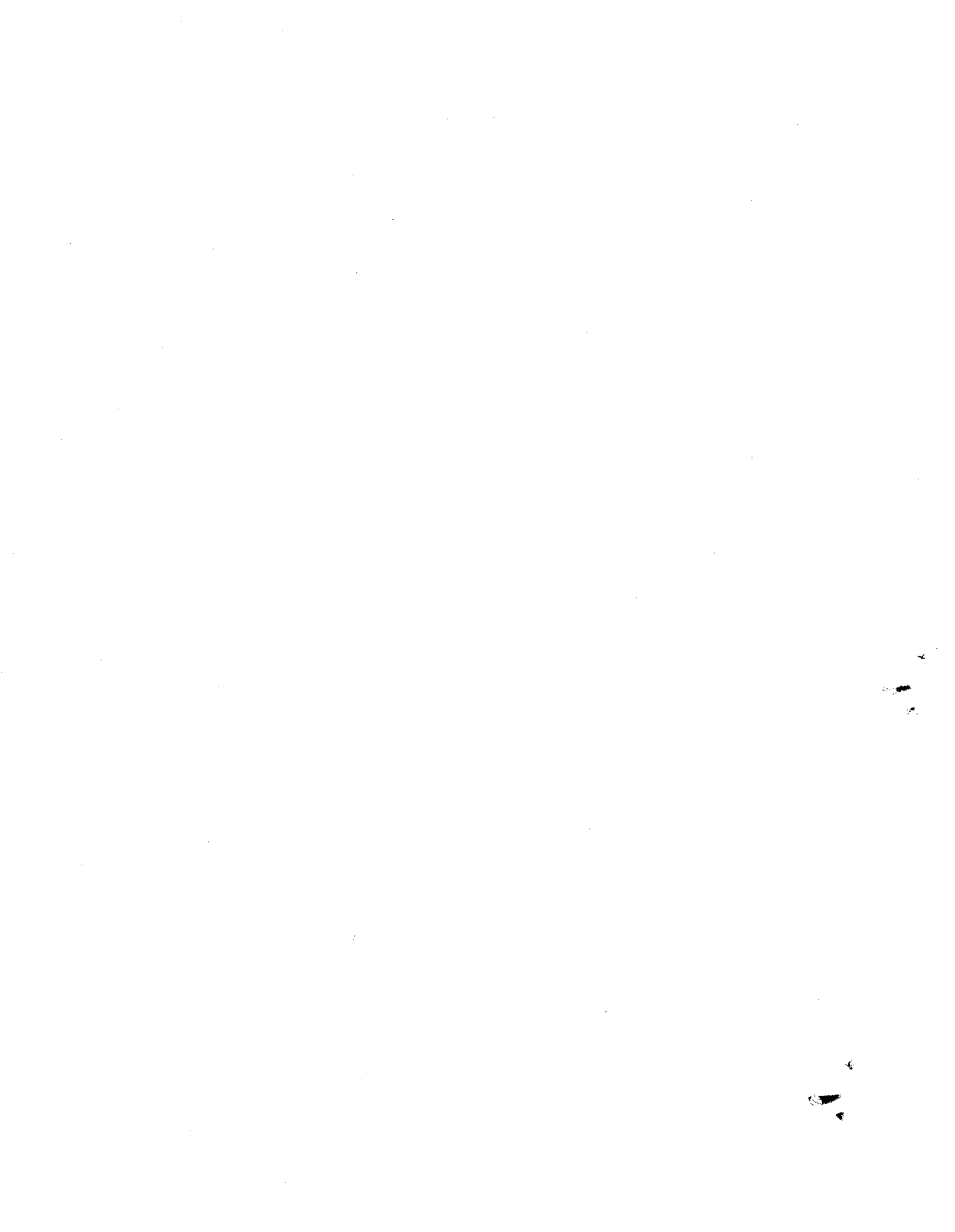
5. NOT TAXABLE





6. TAXABLE - ADJACENT PROPERTY





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