New Jersey. Governor's Committee on Local Property Taxation.

Report; a study of the impact of Chapter 51, Laws of 1960, on the owners of tangible personal property used in business.

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STATE OF NEW JERSEY

REPORT

OF THE

GOVERNOR'S COMMITTEE ON LOCAL PROPERTY TAXATION

A Study of the Impact of Chapter 51, Laws of 1960, on the Owners of Tangible Personal Property Used in Business

December 15, 1965 Trenton, New Jersey

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GOVERNOR'S COMMITTEE ON LOCAL PROPERTY TAXATION

HIS EXCELLENCY GOVERNOR RICHARD J. HUGHES:

The Governor's Committee on Local Property Taxation appointed by you to investigate the impact of the provisions of Chapter 51, Laws of 1960, on the owners of personal property used in business, submits herewith its Report and Recommendations.

The Committee wishes to express its sincere appreciation to the Staff of the Division of Taxation, including Director William Kingsley; Assistant to the Director, Sidney Glaser; and most particularly, James A. Arnold, Jr., Chief, Tax Research and Statistics, for the calculation and computation necessary in processing, tabulating, and preparing tables to reflect the information received on more than 166,000 personal property tax returns filed in 1965, pursuant to Chapter 51.

Dated: December 15, 1965

Respectfully submitted,

s/ *John A. Borden*
John A. Borden, *Chairman*
President, New Jersey Association of County Tax Board Commissioners and Secretaries

s/ *H. Russell Brown*
H. Russell Brown, *Sub-Committee Chairman*
New Jersey Manufacturers Association

s/ *David J. Goldberg*
David J. Goldberg, *Secretary*
Counsel to the Governor

(N)
Hugh J. Addonizio, *Mayor*
City of Newark

s/ *Adrian C. Cassidy*
Adrian C. Cassidy
N. J. Bell Telephone Company

(N)
Wayne Dumont, *Senator*
Warren County

s/ *John M. Fasoli*
John M. Fasoli
N. J. Taxpayer's Association

s/ *Samuel Kaye*
Samuel Kaye
Bayonne Merchants Board of Trade

s/ *John A. Kervick*
John A. Kervick, *State Treasurer*
State of New Jersey

(N) Voted in the negative.

s/ William Kingsley
William Kingsley, *Acting Director*
N. J. Division of Taxation

s/ Dante Leodori
Dante Leodori
Bergen County Board of Taxation

s/ George J. Linger
George J. Linger
N. J. Association of Municipal Assessors

s/ George D. McCarthy
George D. McCarthy
N. J. State Chamber of Commerce

s/ Fred Modick
Fred Modick
N. J. State League of Municipalities

(A)
Peter Moraites, *Assemblyman*
Bergen County

s/ Roger F. Scott
Roger F. Scott
South Jersey Manufacturers Association

s/ William H. Shine
William H. Shine
New Jersey Society of Certified Public Accountants

s/ Jacob Slavitt
Jacob Slavitt, *Chairman*
Newark Industrial Development Commission

s/ Norman Tanzman
Norman Tanzman, *Assemblyman*
Middlesex County

s/ Raymond Wheeler
Raymond Wheeler, *Treasurer*
Borough of Haddonfield

(A) Absent and not voting.

Members of the Sub-Committee

H. Russell Brown, *Chairman*
John A. Borden, *Ex Officio*
Adrian C. Cassidy
William Kingsley
George J. Linger
George D. McCarthy
Hon. Peter Moraites
William H. Shine
Jacob Slavitt
Hon. Norman Tanzman

ORIGIN AND RESPONSIBILITIES

OF THE

GOVERNOR'S COMMITTEE ON LOCAL PROPERTY TAXATION

At the time that Governor Hughes approved the dual tax rate legislation, Chapter 141, Laws of 1964, in July, 1964, he made the following statement:

> "In my opinion, the business personalty tax is not a desirable one because it is not a fair measure of business' capacity to pay. Everyone realizes, however, that a tax which now produces approximately $100 million in revenue, cannot be eliminated without providing a replacement source or so reshuffling the tax burden so as to cause extreme hardship on the other local property taxpayers. Since a forthright attack upon the basic inequity of this tax is not feasible at this time, these amendments appear to be the only solution upon which the Legislature is capable of agreeing. Some people question whether the amendments will greatly assist many sectors of our business community, but I cannot ignore the fact that it will obviously assist many other businesses at the same time that it provides, for at least two years, the essential protection to the homeowner that I have always demanded. I have described the two year limitation on the dual tax rate provisions of these bills as a 'time bomb'. If action is not taken by the Legislature within this period, there will be a tax explosion in some of our major municipalities which may seriously affect our homeowners. The Legislature has stated it will move to meet this problem. I intend to use all my powers to see that it does.
>
> "I am, therefore, taking the precaution of preparing to name a representative Governor's Committee on Local Property Taxation. This Committee will assume the responsibility of surveying the impact of Chapter 51 throughout the State and of preparing such suggested modifications or changes as may be deemed desirable."

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PART I

History of Chapter 51

Long Range

There is nothing abrupt or unpremeditated in the origin of Chapter 51, Laws of 1960. Approximately one century ago (1867) a *State Committee to Revise the Tax Laws of New Jersey* (Report January 28, 1868)[1] was complaining about the inadequacy of the general property tax and the "evils not only of an erroneous system, but perhaps the greater evils of an unsettled and changeable one." Subsequent committees and other legislative study groups contributed numerous criticisms, suggestions and recommendations which indicated an awareness of problems unsolved and no little frustration concerning the continued lack of positive action.

A *Special Tax Commission*[2] appointed in 1879 recommended to the Senate and General Assembly in 1880 as follows:

> "We recommend that the first two kinds of property (real estate and tangible personal property) above specified be taxed, in all cases, where found. Real estate is of course taxed in that way at present; but personal property is taxed if at all, to the owner at his residence. It is believed that the method proposed will be found more simple, and reach considerable property which now escapes altogether."

A *Commission to Investigate Tax Assessments*[3] reported to Governor Woodrow Wilson and the Legislature in 1913 in a manner which sounds familiar today.

> "If public opinion is not ready to support the entire exemption of tangible personal property from local taxation, consideration should be given to specific taxes such as have been adopted in other States for various classes of personal property; to taxes on earnings or gross receipts, and to the business taxes which are used in Canada as a substitute for personal property taxation. These latter substitutes have the great advantage of falling with certainty, without opportunity for evasion, and they can be applied by mathematical rules that leave no discretion to the assessing officer. The Ontario tax according to value of premises occupied, the tax in the Northwestern provinces on square feet occupied (both graded according to the kind of business), or the tax on rental paid, are all superior to the haphazard personal property assessment of business enterprises."

A *Commission to Investigate Tax Laws,* appointed in 1919[4] reported in 1920 that,

> "It will thus be seen that our adherence to the general property tax as the chief means of raising the revenue needed for local government is due, not to necessity,

1. Commission to Revise the Tax Laws of New Jersey. Report (Trenton, January 28, 1868) pp. 11, 14.
2. Special Tax Commission of the State of New Jersey. Report (New Brunswick, February 18, 1880) p. 19.

but to choice or inertia. It may be stated as a fact which cannot be controverted that reliance upon the general property tax is the chief cause of the inequalities and unsatisfactory operation of our taxing system."

Concerning personal property the 1919 Commission bluntly stated,

"Only two methods are worthy of serious consideration in the attempt to deal effectively with this phase of the taxing problem. One is that of classifying personal property for the purpose of taxation; the other is that of putting a personal income tax in place of the personal property tax.

"The first method is a palliative. . . ."

Ten years later a *Commission to Investigate County and Municipal Expenditures*[5] again recommended separation of personal property from real estate and the development of special tax methods applicable to personal property. Foreshadowing "common level" legislation to come a generation later, the Commission concluded that it was equalization which was important, and not the level at which such equalization is accomplished.

Add 10 years more and another Legislative Committee reported in 1939[6] extensive recommendations including the following:

"That personal property taxes, both tangible and intangible, be levied and collected by the State Tax Department, instead of the haphazard local assessment and collection of these taxes, so as to establish equality and uniformity in the assessment and collection thereof, regardless of the location of the personal property or the residence of the owner."

Other recommendations included in this 1939 Commission Report anticipated exemption for household personal property and "replacement" of personal property taxes upon retail business with a 3% gross receipts tax. The Commission stated that its gross receipts tax ". . . is definitely not an additional tax nor a sales tax nor a new form of taxation." The reason that it was said to be not an additional tax nor a sales tax is because "it is in lieu of present taxation of tangible and intangible personal property and in lieu of the taxation of tangible personal property of the individuals which are exempted under the commission plans." It was termed not a new form of tax because it resembles the utility tax. It is significant that in asserting that the proposed "gross receipts" tax is not an additional tax, the 1939 Report made a comparison between what the "gross receipts" tax would produce and what the personal property tax might produce if it were fully assessed. This is in sharp contrast to a comparison

3. Commission to Investigate Tax Assessments in the State of New Jersey. (Trenton, 1913) p. 58-59.
4. Commission to Investigate Tax Laws. Report (Trenton, 1920) pp. 5, 8.
5. Commission to Investigate County and Municipal Taxation and Expenditures. (Trenton, 1932.)
6. New Jersey Commission on Tax Law Revision. (Trenton, 1939).

between what the replacement tax might produce and what the personal property tax does actually produce.

Reporting in 1944 the *Commission on Taxation of Intangible Personal Property*[7] rediscovered the shortcomings of local assessment practices as they related to tangible personal property. Public hearings held by the Commission revealed widespread and persistent anxiety about the vulnerability of tangible personal property to the "tax lightning" of assessment at unaccustomed levels under the "true value" requirement.

In its *Second Report* issued in 1947 the *Commission on State Tax Policy*[8] presented a series of recommended changes in the taxing of tangible personal property which set the pattern for tax discussion extending over the next 14 years.

The Constitutional Convention of 1947 provided a new forum for the attack upon the restrictive "true value" standard for assessing real estate and personal property. The Constitution developed in the Convention, and subsequently adopted by the people, deliberately left the Legislature free to establish assessment standards for personal property different from real estate, and to classify personal property as well.

Throughout this period there were numerous public and private recommendations which require no elaboration here except to comment that they indicated a searching unrest. In 1958 the *Commission on State Tax Policy* issued its *Ninth Report*[9] containing alternative recommendations designed to:

1. tax real estate at 40% of its true value, machinery and equipment at 40% of book value and business inventories at 10% of book value, or
2. replace the tax upon business inventories with a tax upon business income.

The first of these alternatives established the "40-40-10" concept which lead to the Chapter 51 provisions for taxing real estate and machinery and equipment at the same level while taxing inventories at ¼ of the level established for other property.

2. Activity Immediately Preceding Chapter 51

The *Ninth Report* of the *Commission on State Tax Policy* opened the curtain upon the last act in the development of Chapter 51. Its recommendations were placed before the Legislature and became the

7. Commission on Taxation of Intangible Personal Property. (Trenton, 1945).
8. Commission on State Tax Policy. Second Report (Trenton, 1947).
9. Commission on State Tax Policy. Ninth Report (Trenton, 1958).

subject of intensive study by two joint legislative committees[10] during the years 1958 and 1959.

The recommendations were subjects of extensive public hearings held by the Committees during the two year period. A total of 7 hearings were held in Trenton, Newark and Camden.

In his *Annual Message* to the Legislature in 1960,[11] Governor Robert B. Meyner made eight recommendations containing parts of various proposals which the Legislature had been considering for more than two years. The proposals also included a new concept that the constitutional requirement of assessment "*according to* the same standard of value did not necessarily mean assessment *at* the same standard." This was the basis for county choice of assessment ratios provided in Chapter 51. The Governor proposed a compromise on the taxation of business inventories by recommending that raw materials, work in process, small tools and supplies be exempted while finished goods remain taxable. Here was the first suggestion that various classes of inventories might be treated differently.

Governor Meyner's recommendations were largely incorporated into Assembly Bill 198 (1960) by the Joint Legislative Committee. Because of local apprehension about loss of tax ratables, goods in process were dropped out of the exempt inventory category as this Bill found its way through the Legislature. On June 15, 1960 the amended Assembly Bill A-198 became Chapter 51, Laws of 1960, and New Jersey had a new property tax law.

3. Prodding by the Courts

The birth of Chapter 51 was hastened by the prospect of court intervention to upset the uneasy compromises between law and practice which had developed in local property assessments. Beginning with the *Baldwin Case*[12] (1954) and continuing with the *Gibraltar Case*[13] (1955), the concept of "common level" as a basis for taxpayer relief from discriminatory assessments began to take shape. Equalization tables provided the statistical raw material for giving substance to this concept and the statistical approach to "common level" received Court recognition in the *Kents Case*[14] (1961). In the *Switz Case*[15] (1956), the court made it clear that the legal standard of assessment would be enforced at the suit of any taxpayer, and so long as the standard was

10. Senate Committee on Revision and Amendments of Laws 1958. Legislative Conference Group on Full Assessment Problems—Recommendations.
11. Sixth Annual Message of Robert B. Meyner, Governor of New Jersey. (Trenton, January 12, 1960.)
12. Baldwin Construction Co. v. Essex County Board of Taxation, 16 N. J. 329 (1954).
13. Gibraltar Corrugated Paper Co. v. Twp. of North Bergen, 20 N. J. 213 (1955).
14. In re Appeals of Kents, 2124 Atlantic Ave., Inc., 34 N. J. 21 (1961).
15. Switz v. Middletown Township, 23 N. J. 580 (1956).

set by statute at 100 per cent of valuation, the courts would mandate that standard. In the *Switz Case,* Middletown Township was granted a two-year period in which to comply, and during which the Legislature could change the law.

The judicial attack on assessment inequalities was speeded up by the *Ridgefield Park Case*[16] in which the court turned its back upon further postponement of reconciliation between statutory requirements and local assessment practices. This decision broadened the scope of judicial attack because it reached all taxing districts in Bergen County as contrasted with a single district, and it included personal property as well as real estate.

The implication was that if the Legislature would not act—and act soon—equalization of property assessments and rigid application of the statutory "true value" standard would be accomplished by court order for real estate and personal property alike.

4. Postponement and Implementation

Immediately upon its adoption, Chapter 51 became the subject of numerous instructional meetings throughout the State. These meetings included sessions for taxpayers organized by Chambers of Commerce, the New Jersey Manufacturers Association and others. They also included orientation meetings for assessors and other local tax officials in each County of the State. These meetings were well attended and they became forums in which to herald a new day in local personal property tax administration. Book value assessment of personal property used in business obviously had wide popular appeal as a way to bring certainty to the assessment of a class of property for which assessment "by negotiation" had long been more the rule than the exception.

As the first date for filing business personal property tax returns drew near, this popular support for the principal of "book value" assessments did not become equally wide support for "book value" assessments in practice. Extreme variation in personal property assessments as among property owners and as among taxing districts meant that any new method which promised uniform procedures for all personal property also held the promise that the change would not be the same for all taxpayers or for all taxing districts.

Business personal property taxpayer return forms developed under Chapter 51 became the scapegoat for two successive annual post-

16. Village of Ridgefield Park v. The Bergen County Board of Taxation, et al. (decided Jan. 25, 1960).

ponements of its effective date.[17] It is not necessary to review the many abuses heaped upon these forms to observe that resistance to filing the forms was in fact resistance to potential changes under the law itself. Implied assurances of legislative correction to adjust for unforeseen results based upon analysis of first year returns were not sufficiently persuasive to prevent these first two postponements.

In 1963, it had become apparent that postponement, of and by itself, would not cause the problems to go away. Postponement could not provide any additional information or anything else except time, and it was becoming increasingly clear that time was running out. It was against this background that a third postponement[18] carried an additional provision that comprehensive statistical review of its potential effects precede actual implementation of the business personal property provisions of Chapter 51. To this end, the 1963 postponement included a requirement for business personal property information returns to be filed with the Director of Taxation in 1963.

The Division of Taxation received and tabulated more than 174,000 personal property information returns in 1963.[19] Information derived from these returns was made available to the Legislature and the public in a manner to show results obtained in each of the local taxing districts and for each class of business. Although these extensive tabulations represented almost all business personal property assessed locally in 1963 and conclusively demonstrated a lack of uniformity both as among different taxing districts and as among individual taxpayers within single taxing districts, they were notably unsuccessful in resolving either the statistical or the political problems associated with personal property taxation.

5. Continued Study and Amendment

In its *Tenth Report* (1963) the *Commission on State Tax Policy* referred to the continued unrest concerning personal property taxation as follows:

> "A recurrent theme of the Public Hearings, supplemented by special presentations to the Commission, has been to 'do something about tangible personal property'—and this despite the fact that Chapter 51, Laws of 1960, was adopted over two years ago for this purpose."[20]

Again reviewing the long and unproductive search for a solution to the "personal property tax problem" the Commission stated that,

17. Chapter 17, Laws of 1961 postponed effective date to 1963; Chapter 20, Laws of 1962 postponed effective date to 1964.
18. Chapter 9, Laws of 1963 postponed effective date to 1965.
19. Report on Business Personal Property Information Returns. Feb. 1, 1964.
20. Tenth Report (1963) Commission on State Tax Policy, p. 85.

"The reasons for abandoning the old method of taxing business personalty, as part of the general property tax, are as compelling today as they were fifteen years ago, as detailed in the previous Reports of the Commission. . . . In fact, a re-examination of the question has shown that the condition has worsened, the amounts combined have become larger, and the need for reform even greater."[21]

The Commission recommended some three major changes as follows:

". . . that inventories should be exempted from the general property tax, and that the local revenues from this source, estimated at $40 million annually, be replaced by the State out of State-collected taxes. For this purpose, a State replacement tax will be required; . . ."[22]

". . . that all telephone and telegraph companies be placed under the public utilities gross receipts tax, on their intrastate business, in lieu of any property tax on their machinery and equipment. This would reduce the machinery and equipment replacement problem from $54.5 million to $35.4 million."

"The fair value of machinery and equipment shall be determined at ½ the original cost to the taxpayer, and this value shall be continued from year to year so long as the item is in use or held for use."

Like so many prior recommendations in the matter of personal property taxation, the latest Tax Policy Commission recommendations were not adopted by the Legislature.

6. 1964 Amendments to Chapter 51

In 1964 the Legislature amended Chapter 51 in three important ways to provide:

1. An adjusted personal property tax rate in 1965 and 1966 at a level to assure that personal property taxes will represent no less a proportion of the total tax in each taxing district than they did in 1963.
2. A 20% of original cost floor under the book values of properties depreciated below 20% of original cost.[23]
3. A reduced taxable value of non-farm depreciable personal property from 100% to 65% of the "common level."[24]

As amended in this manner, Chapter 51 became effective for the tax year 1965 with the first personal property tax returns to be filed in 1964 reflecting book values as of January 1, 1964. As provided in Chapter 51, personal property taxpayers were required to file their first tax returns (in 1964) in duplicate and assessors were required to forward each duplicate return to the Division of Taxation for tabulation and analysis.

7. Governor's Committee on Local Property Taxation

In addition to providing that duplicate personal property tax returns must be tabulated by the Division of Taxation for purposes of

21. Tenth Report (1963) Commission on State Tax Policy, pp. 91-92.
22. Tenth Report (1963) Commission on State Tax Policy, pp. 96-99.
23. Chapter 140, Laws of 1964.
24. Chapter 141, Laws of 1964.

study and analysis during the first year under Chapter 51, the entire question of personal property taxation was made the subject of intensive review by this Governor's Committee on Local Property Taxation. Results of all statistical tabulations from the 1965 tax returns and estimates have been made available to the Committee together with such other pertinent information as it has requested or required in its deliberations.

This Governor's Committee has the responsibility to develop recommendations to the Governor and to the Legislature concerning any changes in Chapter 51 which its studies indicate are appropriate. It goes without saying that the Committee is under no restriction concerning the nature and extent of change which it may recommend.

PART II

PERSONAL PROPERTY TAX RETURNS

1. DUPLICATE RETURNS RECEIVED

The Division of Taxation received and tabulated 166,454 duplicate personal property tax returns filed in 1964 pursuant to Chapter 51, Laws of 1960. It also received and tabulated 10,178 valuations estimated by assessors in the absence of personal property tax returns. Chapter 51 taxable values calculated from these 176,632 returns and estimates total $1,542.4 million based upon $5,153.2 million of adjusted book values divided between inventories and other personal property as follows:

	(Millions) Adjusted Book Values	Chapter 51 Taxable Values	Taxable as % of Book
Inventories . . .	$2,322.6	$ 367.4	15.8%
Other	2,830.6	1,174.9	41.5
Total	$5,153.2	$1,542.4	29.9%

Like all overall averages, these results are the composites of various results obtained within the several New Jersey Counties. Table 1 shows that the taxable value of inventories vary from 5.6% of book values in Salem County to 25% of book values in Hunterdon County. Taxable values of personal property other than inventory vary from 14% of book values in Salem to 62% in 3 counties (Burlington, Cape May, Ocean). Variations such as these are the product of different "common levels" applicable in the taxing districts within counties and they represent fulfillment of one of the purposes of Chapter 51—namely to permit personal property taxable values to vary directly with the differences in assessment levels applicable to real estate.

2. COVERAGE

The $1,542.4 million of personal property taxable values indicated here does not represent complete coverage of all values taxable under Chapter 51 in 1965. County boards of taxation report taxable values of all business and farm personal property filed by local assessors in 1965 totaling $1,583.2 million. The implication is that taxpayer returns or assessors estimates representing 3% of the 1965 personal property tax base were not received by the Division.

The $40.8 million difference between $1,542.4 million of taxable value derived from duplicate and estimated personal property tax returns and $1,583.2 million reported to County Boards of Taxation by local assessors does not tell the entire story. As shown in Table 2 taxable values derived from duplicate and estimated returns exceed total taxable values reported in 6 of the 21 New Jersey Counties in amounts ranging from 1/10 of 1% (Cumberland, Morris and Somerset) to 1.6% (Monmouth). Table 1 also indicates that these overall comparisons include wider variations in terms of separate categories of personal property. This means that personal property classifications as between "inventories" and "other" were not uniformly recorded in the duplicate returns and in local tax rolls. This is especially true in the case of farm "inventory" and "other" because "livestock held for production" was variously classified. A detailed analysis of single taxing districts indicates even wider variations than are apparent from county totals.

Field investigations in taxing districts with the greatest differences between taxable values derived from duplicate and estimated returns and taxable values reported to and by County Boards of Taxation indicated some inadequacies in both the statistical tabulation of duplicate returns and the taxable values reported in County Abstracts of Ratables. Highlights of these investigations are described elsewhere in this Report as a basis for improved personal property tax administration under Chapter 51.

Any detailed analysis of the effect of Chapter 51 based upon the duplicate and estimated returns must remain incomplete to the extent of undercoverage or inconsistent reporting which exists. From an overall statistical standpoint, these differences are small. The tabulations provide abundant statistical information about the Chapter 51 personal property tax base and its component parts.

3. Effect Upon Local Tax Base

From the standpoint of its effect upon the total local property tax base, the impact of Chapter 51 during its first year of implementation can be appraised only in terms of taxable values reported to county boards of taxation by local assessors. In addition to the taxable value of business and farm personal property, such an appraisal involves

TABLE 1

ADJUSTED BOOK VALUES AND CHAPTER 51 ASSESSED VALUES FOR 176,632 RETURNS AND ESTIMATES TABULATED BY CLASS OF PROPERTY AND BY COUNTY

County	No. of Returns	Book Value (000)			Chapter 51 Assessed (000)			Chapter 51 as % of Book		
		Inventory	Other	Total	Inventory	Other	Total	Inventory	Other	Total
Atlantic	6,611	$35,926	$60,426	$96,352	$4,451	$18,888	$23,340	12.39%	31.26%	24.22%
Bergen	19,960	284,833	307,321	592,153	63,730	177,774	241,504	22.37	57.85	40.78
Burlington	5,649	58,810	95,949	154,759	14,600	59,542	74,142	24.83	62.06	47.91
Camden	8,469	128,884	146,776	275,660	15,776	46,499	62,274	12.24	31.68	22.59
Cape May	6,451	12,022	31,256	43,278	2,903	19,425	22,328	24.14	62.15	51.59
Cumberland	4,852	42,124	51,796	93,920	4,212	12,993	17,205	10.00	25.08	18.32
Essex	22,897	279,316	322,439	601,755	59,565	179,169	238,734	21.33	55.57	39.67
Gloucester	3,653	40,846	43,206	84,052	2,984	7,940	10,924	7.31	18.38	13.00
Hudson	16,174	269,184	258,724	527,908	23,145	61,887	85,031	8.60	23.92	16.11
Hunterdon	3,017	16,541	43,247	59,788	4,135	25,255	29,390	25.00	58.40	49.16
Mercer	8,011	106,267	139,085	245,353	12,479	42,551	55,031	11.74	30.59	22.43
Middlesex	9,746	196,443	262,622	459,065	21,426	74,655	96,081	10.91	28.43	20.93
Monmouth	10,635	83,886	117,282	201,167	19,070	67,969	87,039	22.73	57.95	43.27
Morris	7,196	84,153	145,711	229,865	9,794	45,035	54,829	11.64	30.91	23.85
Ocean	6,372	37,589	61,146	98,734	9,019	38,156	47,176	23.99	62.40	47.78
Passaic	12,646	195,887	221,751	417,639	42,610	125,180	167,791	21.75	56.45	40.18
Salem	2,162	50,157	74,295	124,452	2,804	10,420	13,224	5.59	14.03	10.63
Somerset	4,008	62,829	78,718	141,547	7,854	25,031	32,884	12.50	31.80	23.23
Sussex	2,490	9,898	28,155	38,053	2,471	16,387	18,858	24.96	58.20	49.56
Union	12,864	298,370	303,708	602,078	37,296	98,684	135,980	12.50	32.49	22.59
Warren	2,769	28,639	37,021	65,659	7,091	21,509	28,600	24.76	58.10	43.56
Total	176,632	$2,322,603	$2,830,633	$5,153,237	$367,415	$1,174,950	$1,542,365	15.82%	41.51%	29.93%

TABLE 2

1965 Personal Property Taxable Values
Duplicate Returns Compared With County Abstracts of Tax Ratables

County Names	Duplicate Returns*				
	Farm		Non-Farm		
	Inventories	Other	Inventories	Other	Total
Atlantic	$8,566	$157,315	$4,442,676	$18,731,039	$23,339,599
Bergen	11,687	49,894	63,718,223	177,724,234	241,504,040
Burlington	56,522	1,228,827	14,543,696	58,312,956	74,142,003
Camden	2,938	42,655	15,772,856	46,455,983	62,274,433
Cape May	1,154	92,123	2,901,496	19,333,043	22,327,818
Cumberland	12,127	295,728	4,200,172	12,697,110	17,205,139
Essex	749	17,611	59,564,324	179,151,030	238,733,716
Gloucester	18,532	168,944	2,965,738	7,771,226	10,924,441
Hudson	......	....	23,144,696	61,886,524	85,031,221
Hunterdon	39,804	1,784,641	4,095,359	23,470,403	29,390,208
Mercer	8,502	197,871	12,470,914	42,353,245	55,030,534
Middlesex	36,852	248,543	21,389,181	74,406,629	96,081,207
Monmouth	61,452	757,218	19,008,222	67,211,653	87,038,547
Morris	5,196	147,063	9,788,850	44,887,855	54,828,965
Ocean	11,643	252,562	9,007,448	37,903,855	47,175,509
Passaic	608	19,463	42,609,493	125,160,967	167,790,533
Salem	8,220	328,398	2,795,778	10,091,753	13,224,150
Somerset	10,239	345,441	7,843,363	24,685,205	32,884,248
Sussex	7,759	1,098,469	2,463,021	15,288,897	18,858,147
Union	2,602	13,168	37,293,680	98,670,828	135,980,279
Warren	16,113	1,333,210	7,074,870	20,175,926	28,600,122
Total	$321,274	$8,579,156	$367,094,067	$1,166,370,369	$1,542,364,867

* Figures in Duplicate Returns do not total exactly either in cross total or footings due to rounding.

TABLE 2—Continued

1965 PERSONAL PROPERTY TAXABLE VALUES

DUPLICATE RETURNS COMPARED WITH COUNTY ABSTRACTS OF TAX RATABLES

	County Abstracts					Duplicate Returns as % of Abstracts				
	Farm		Non-Farm			Farm		Non-Farm		
County Names	Inventories	Other	Inventories	Other	Total	Inventories	Other	Inventories	Other	Total
Atlantic	$43,018	$129,661	$5,359,478	$20,384,086	$25,916,243	19.9%	121.3%	82.9%	91.9%	90.0%
Bergen	20,931	56,960	64,135,224	181,024,810	245,237,925	55.8	87.6	99.3	98.2	98.5
Burlington	255,142	1,107,330	14,738,865	57,920,712	74,022,049	22.2	111.0	98.7	100.7	100.2
Camden	10,022	47,150	16,902,390	47,702,420	64,661,982	29.3	90.5	93.3	97.4	96.3
Cape May	6,252	98,337	2,915,426	20,174,991	23,195,006	18.4	93.7	99.5	95.8	96.3
Cumberland	52,029	283,720	4,176,560	12,683,928	17,196,237	23.3	104.2	100.6	100.1	100.1
Essex	13,733	....	68,452,115	188,091,756	256,557,604	5.5	....	87.0	95.2	93.1
Gloucester	27,185	179,519	3,009,352	7,839,378	11,055,434	68.1	94.1	98.6	99.1	98.8
Hudson	......	....	23,932,767	63,122,221	87,054,988	....	....	96.7	98.0	97.7
Hunterdon	154,378	1,811,058	4,268,984	23,172,856	29,407,276	25.8	98.5	95.9	101.3	99.9
Mercer	40,745	165,866	12,705,562	42,903,945	55,816,118	20.9	119.3	98.2	98.7	98.6
Middlesex	63,768	237,583	20,564,437	80,438,310	101,304,098	57.8	104.6	104.0	92.5	94.8
Monmouth	186,187	639,860	18,952,531	65,922,058	85,700,636	33.0	118.3	100.3	102.0	101.6
Morris	44,262	130,873	9,890,964	44,680,795	54,746,894	11.7	112.4	99.0	100.5	100.1
Ocean	64,839	192,526	9,133,906	38,382,227	47,773,498	17.9	131.2	98.6	98.8	98.7
Passaic	17,396	24,704	43,036,610	127,759,961	170,838,671	3.5	78.8	99.0	98.0	98.2
Salem	41,384	340,068	2,853,057	10,060,257	13,294,766	19.9	96.6	98.0	100.3	99.5
Somerset	11,532	344,946	7,849,689	24,647,260	32,853,427	88.8	100.1	99.9	100.2	100.1
Sussex	38,849	1,293,907	2,618,319	15,357,924	19,309,000	20.0	84.9	94.1	99.6	97.7
Union	1,100	18,340	39,185,310	99,707,730	138,912,480	236.5	71.8	95.2	99.0	97.8
Warren	....	1,513,225	7,142,700	19,657,673	28,313,598	...	88.1	99.1	102.6	101.0
Total	$1,092,752	$8,615,633	$381,824,246	$1,191,635,298	$1,583,167,930	29.4%	99.6%	96.1%	97.9%	97.0%

the relative position of personal property within the total local property tax base. As summarized below, business and farm personal property taxable values represent 5.8% of aggregate valuations taxable in 1965 under Chapter 51 as compared with 8.5% in 1963 and 8.6% in 1964 prior to the implementation of Chapter 51:

Valuations Taxable	(Millions) Prior to Chapter 51 1963	1964	Chapter 51 1965
Business and Farm Personal	$1,452.5	$2,071.8	$1,583.2
All Taxable Property	17,168.3[1]	24,106.3	27,371.0
Business and Farm Personal as % of all Property	8.5%	8.6%	5.8%

1. Veteran and Senior Citizen deductions included within all taxable valuation for 1963 for purposes of comparison with later years.

Table 3 shows that the position of personal property within the local property tax base declined between 1964 and 1965 in 20 of the 21 New Jersey Counties. In Atlantic County business and farm personal property taxable values in 1965 under Chapter 51 represented 5.3% of all taxable values which is the same percentage prevailing in 1964 prior to the implementation of Chapter 51. Among the counties, taxable values of business and farm personal property, in 1965 under Chapter 51, varied from 3.9% of all taxable valuations in Ocean to a high of 15.9% in Salem. Comparable variations in 1964, prior to the implementation of Chapter 51, ranged from 4.1% in Ocean County to 25.7% in Salem County. It is notable that in only two counties Chapter 51 taxable values of business and farm personal property in 1965 represented percentages of all taxable values as great or greater than prevailed in 1963 (Atlantic and Ocean Counties). In the remaining 19 counties personal property constituted a smaller proportion of all taxable values in 1965 than in 1963.

4. Dual Tax Rates (Amendment)

The reduced position of business and farm personal property within the aggregate local property tax base implies that personal property would carry a smaller proportion of the total property tax in 1965 under Chapter 51 than it carried in 1963 and 1964 prior to the implementation of Chapter 51. It was in anticipation of this shift in property

TABLE 3

TAXABLE VALUES OF BUSINESS AND FARM PERSONAL PROPERTY COMPARED WITH ALL TAXABLE VALUES IN NEW JERSEY COUNTIES
1963, 1964 AND 1965
(Amounts in thousand of dollars)

County	1963			1964			1965		
	Personal	All Property	% Personal	Personal	All Property	% Personal	Personal	All Property	% Personal
Atlantic	$21,366	$418,092	5.1%	$23,247	$442,520	5.3%	$25,916	$484,611	5.3%
Bergen	119,150	1,735,222	6.9	442,158	5,872,033	7.5	245,238	5,889,971	4.2
Burlington	19,520	248,493	7.9	37,432	413,611	9.1	74,022	1,103,359	6.7
Camden	69,380	829,946	8.4	75,403	915,344	8.2	64,662	871,898	7.4
Cape May	28,974	542,191	5.3	29,835	558,266	5.3	23,195	569,028	4.1
Cumberland	19,295	161,650	11.9	20,080	165,532	12.1	17,196	191,525	9.0
Essex	427,767	4,455,570	9.6	429,504	4,536,861	9.5	256,558	4,440,664	5.8
Gloucester	13,729	186,946	7.3	14,085	196,400	7.2	11,055	214,025	5.2
Hudson	152,477	1,118,530	13.6	158,112	1,130,464	14.0	87,055	1,060,022	8.2
Hunterdon	7,995	73,667	10.9	8,076	76,217	10.6	29,407	426,786	6.9
Mercer	61,421	617,326	9.9	61,781	642,444	9.6	55,816	701,913	8.0
Middlesex	78,589	728,535	10.8	87,280	822,793	10.6	101,304	1,433,327	7.1
Monmouth	87,565	1,916,004	4.6	92,176	2,009,978	4.6	85,701	2,098,926	4.1
Morris	43,114	605,248	7.1	63,542	845,355	7.5	54,747	1,011,640	5.4
Ocean	41,737	1,080,069	3.9	47,455	1,146,179	4.1	47,773	1,210,891	3.9
Passaic	82,277	767,606	10.7	291,185	2,502,322	11.6	170,839	2,453,599	7.0
Salem	22,503	87,377	25.8	23,255	90,477	25.7	13,295	83,784	15.9
Somerset	17,947	192,333	9.3	18,316	199,798	9.2	32,853	541,138	6.1
Sussex	5,829	101,117	5.8	8,150	147,013	5.5	19,309	407,935	4.7
Union	113,680	1,127,482	10.1	119,909	1,176,396	10.2	138,912	1,855,113	7.5
Warren	18,211	174,986	10.4	20,857	216,301	9.7	28,314	320,853	8.8
Total*	$1,452,526	$17,168,288	8.5%	$2,071,838	$24,106,303	8.6%	$1,583,168	$27,371,010	5.8%

* Difference in Totals due to rounding.

tax from personal property to other classes of taxable property that Chapter 141, Laws of 1964, amended Chapter 51 to provide for adjusted personal property tax rates in 1965 at levels to assure that personal property taxes will represent no less a proportion of the total tax than they did in 1963. Further adjustment was provided for 1966. These separate tax rates for personal property apply in all taxing districts where the adjusted personal property tax rate is higher than the general property tax rate calculated in the usual manner.

Table 4 shows that dual tax rates apply in 464 local taxing districts. Only 104 local taxing districts tax business and farm personal property at a general tax rate without reference to the dual rates provided in Chapter 51. Each of the 21 New Jersey counties contain at least one taxing district where the general tax rate applies. In all counties, the number of dual tax rates exceeds the number of general tax rates.

Table 4 shows that the personal property tax rates range from a low of $0.48 per $100 in New Hanover (Burlington County) to a high of $45.84 per $100 in Carteret Borough (Middlesex County). Among the taxing districts with the higher personal property tax rates, it is not uncommon for the personal property rate to be more than double the rate applicable to real estate. In Alpine Borough (Bergen County) the $18 per $100 personal property tax rate is 9 times the $2 per $100 applicable to real estate. In taxing districts with the lower business personal property tax rates, the differences between these rates and the rates applicable to real estate are in some instances so small that they become apparent only when the tax rates are calculated into several decimal places and thus are of no great significance.

5. Tax Effect of Dual Rates

Table 5 shows that business and farm personal property taxes represented 9.9% of all local property taxes in 1965 as compared with 9.7% in 1963 and 9.8% in 1964. This suggests that the dual tax rates were successful in accomplishing their purpose of preserving the relative position of personal property taxes within the local property tax total. Although the amount of personal property taxes increased from $100.1 million in 1963 to $119.0 million in 1965, this increase was in proportion to the growth in total property taxes (after deduction for veterans and senior citizens) and no significant overall "shift" in taxes to or from personal property is evident.

Table 6 shows that this preservation of the relative position of personal property taxes within the aggregate tax picture was in fact accomplished by the "dual rates." If all local taxing districts had

TABLE 4

DISTRIBUTION OF LOCAL TAXING DISTRICTS WHERE DUAL TAX RATES APPLY TO PERSONAL PROPERTY AND OTHER TAXABLE PROPERTY

1965

Showing the Range of Dual Tax Rates by County

County	1 Number of Taxing Districts	2 No. of Districts Where P. P. Taxed at Gen. Rate	3 No. of Districts Where Dual Rate Applies	4 a District With Highest Rate Applicable to Bus. Pers. Prop.	4 b Rate Applicable to Business Pers. Prop.	4 c Rate Applicable to All Other Property	5 a District With Lowest Rate Applicable to Bus. Pers. Prop.	5 b Rate Applicable to Business Pers. Prop.	5 c Rate Applicable to All Other Property
Atlantic	23	9	14	Weymouth Twp.	$14.63	$5.86	Folsom Boro.	$4.20	$3.92
Bergen	70	7	63	Alpine Boro.	18.04	2.08	Teterboro	.60	.60
Burlington	40	4	36	Westampton Twp.	8.40	3.10	New Hanover	.48	.48
Camden	37	15	22	Hi-Nella Boro.	28.92*	6.64*	Tavistock Boro.	2.72	2.72
Cape May	16	3	13	Cape May Point Boro.	5.86	2.84	Upper Twp.	1.33	1.08
Cumberland	14	1	13	Greenwich Twp.	17.36	7.45	Millville City	8.47	8.47
Essex	22	5	17	Newark City	13.25	6.47	Roseland Boro.	3.13	3.13
Gloucester	24	5	19	South Harrison Twp.	26.66	10.43	Newfield Boro.	8.98	8.98
Hudson	12	1	11	Bayonne City	32.05	9.75	Guttenberg	4.60	4.34
Hunterdon	26	3	23	East Amwell Twp.	8.71	2.77	Holland Twp.	1.24	.82
Mercer	13	1	12	City of Trenton	16.97	11.24	East Windsor Twp.	5.52	5.46
Middlesex	25	2	23	Carteret Boro.	45.84	23.62	Cranbury Twp.	3.89	3.89
Monmouth	53	16	37	Shrewsbury Twp.	16.87	8.55	Holmdel Twp.	2.31	2.31
Morris	39	6	33	Mine Hill Twp.	34.26	7.75	East Hanover Twp.	4.29	4.29
Ocean	34	8	26	Jackson Twp.	6.13	3.36	Little Egg Harbor	1.65	1.63
Passaic	16	1	15	Pompton Lakes Boro.	9.54	2.93	Totowa Boro.	2.43	2.34
Salem	15	3	12	U. Penns Neck Twp.	31.00	10.85	Woodstown Boro.	9.37	9.37
Somerset	21	2	19	Rocky Hill Boro.	15.78	4.77	Bedminster Twp.	4.56	4.03
Sussex	24	5	19	Lafayette Twp.	9.09	3.58	Montague Twp.	2.83	2.83
Union	21	1	20	Winfield Town	33.78	33.78	Clark Twp.	5.37	5.24
Warren	23	6	17	Allamuchy Twp.	11.48	4.05	Pahaquarry Twp.	1.76	1.76
Totals	568	104	464						

* Reported in error by exclusion of substantial telephone and telegraph personal property. Corrected to a $6.65 general tax rate.

TABLE 5

PROPERTY TAXES UPON BUSINESS AND FARM PERSONAL PROPERTY COMPARED WITH ALL PROPERTY TAXES IN NEW JERSEY COUNTIES

(Amounts in Thousands)

County	1963			1964			1965		
	Personal	Total	% Personal	Personal	Total	% Personal	Personal	Total	% Personal
Atlantic	$1,431	$26,216	5.5%	$1,562	$27,861	5.6%	$1,982	$30,955	6.4%
Bergen	8,359	133,813	6.3	10,090	147,486	6.8	10,227	157,824	6.5
Burlington	1,961	23,844	8.2	2,089	26,790	7.8	2,627	30,504	8.6
Camden	4,546	49,148	9.3	5,139	53,933	9.5	5,622	57,637	9.8
Cape May	603	11,234	5.4	655	11,877	5.5	718	12,738	5.6
Cumberland	1,480	11,975	12.4	1,578	12,604	12.5	1,831	14,270	12.8
Essex	21,724	192,839	11.3	24,210	212,329	11.4	25,164	218,933	11.5
Gloucester	1,207	16,517	7.3	1,282	18,370	7.0	1,557	19,798	7.9
Hudson	15,004	113,419	13.2	15,694	116,393	13.5	15,970	118,502	13.5
Hunterdon	864	8,329	10.4	912	8,886	10.3	1,124	10,265	10.9
Mercer	5,318	44,216	12.0	5,378	46,286	11.6	5,940	48,657	12.2
Middlesex	8,160	70,212	11.6	8,883	77,157	11.5	10,172	84,429	12.0
Monmouth	2,501	53,475	4.7	2,830	58,966	4.8	3,464	66,119	5.2
Morris	3,550	52,103	6.8	3,926	56,922	6.9	4,609	63,433	7.3
Ocean	953	23,942	4.0	1,200	27,846	4.3	1,459	30,946	4.7
Passaic	6,768	61,196	11.1	8,235	68,370	12.0	8,035	72,604	11.1
Salem	1,923	7,430	25.9	2,072	8,174	25.4	2,345	8,831	26.6
Somerset	2,565	25,190	10.2	2,710	27,723	9.8	3,206	30,279	10.6
Sussex	705	10,149	6.9	798	11,388	7.0	943	12,901	7.3
Union	9,519	91,778	10.4	9,998	95,850	10.4	10,847	102,612	10.6
Warren	891	8,567	10.4	952	9,300	10.2	1,171	9,942	11.8
Total	$100,031	$1,035,591	9.7%	$110,190	$1,124,512	9.8%	$119,010	$1,202,180	9.9%

Total property tax reported in County Abstracts of Tax Ratables:
$1,201,126,000 exclusive of deductions allowed veterans and senior citizens.
Total $1,202,180,000 derived by applying local tax rates. Difference due to rounding of tax rates.

TABLE 6

GENERAL PROPERTY TAX IN NEW JERSEY
ACTUAL TAX WITH DUAL RATES COMPARED WITH TAX WITHOUT DUAL RATES

(Amounts in thousands)

Class of Property	General Tax Rate	Actual Tax Rate	Tax Re-distribution
Business and Farm Personal Property—			
Business:			
Inventory	$19,354	$29,499	+$10,146
Other	59,419	88,912	+ 29,493
Total	$78,773	$118,411	+$39,639
Farm:			
Inventory	$43	$61	+ $18
Other	321	537	+ 216
Total	$364	$598	+ $234
Total Business and Farm	$79,137	$119,009	+$39,873
Real Estate:			
Vacant Land	$38,054	$37,058	— $995
Residential	701,718	682,586	— 19,132
Farm	15,102	14,723	— 379
Qualified Farm	2,354	2,292	— 62
Commercial	187,589	179,573	— 8,016
Industrial	123,096	115,810	— 7,286
Apartments	73,294	70,063	— 3,232
2nd Class Railroad	14,375	13,609	— 766
Total Real Estate	$1,155,582	$1,115,714	—$39,868
Less Exemptions	—$32,689	—$32,689	......
Net Real Estate	$1,122,893	$1,083,025	—$39,868
Personal not used in business	$149	$146	— $3
Total All Property	$1,202,180	$1,202,180	0

Total property tax reported in County Abstracts of Tax Ratables:
$1,201,126,000 exclusive of deductions allowed veterans and senior citizens.
Total $1,202,180,000 derived by applying local tax rates. Difference due to rounding of tax rates.

determined general tax rates in the traditional manner in 1965 when Chapter 51 became effective, business and farm personal property taxes would have totaled $79.1 million, or $39.9 million less than the $119.0 million actually levied. This $39.9 million of taxes redistributed by the dual tax rates represented one third of all business and farm personal property taxes in 1965.

TABLE 7

Taxes Reapportioned by "Dual" Tax Rates as Compared With General Rate by County and by Class of Property
(Amounts in Thousands)

County	Commercial and Industrial			Farm			Other Property		
	Real	Personal	Net	Real	Personal	Net	Residential	Apartments	All Other
Atlantic	— $35	+ $167	+ $132	— $13	+ $4	— $9	— $102	— $2	— $18
Bergen	— 1,069	+ 4,109	+ 3,040	— 7	+ 2	— 5	— 2,650	— 265	— 120
Burlington	— 115	+ 547	+ 432	— 35	+ 19	— 16	— 379	— 14	— 23
Camden	— 167	+ 689	+ 522	— 1	+ 1	— 0	— 468	— 37	— 18
Cape May	— 44	+ 172	+ 128	— 1	+ 0	— 1	— 84	— 35	— 9
Cumberland	— 109	+ 420	+ 311	— 53	+ 14	— 39	— 246	— 6	— 20
Essex	— 4,973	+ 10,366	+ 5,393	— 3	+ 0	— 3	— 3,653	— 1,461	— 277
Gloucester	— 213	+ 502	+ 289	— 28	+ 13	— 15	— 255	— 7	— 12
Hudson	— 3,053	+ 6,340	+ 3,287	— 0	+ 0	— 0	— 1,853	— 708	— 725
Hunterdon	— 90	+ 338	+ 248	— 76	+ 51	— 25	— 202	— 3	— 17
Mercer	— 573	+ 1,647	+ 1,074	— 25	+ 5	— 20	— 965	— 51	— 39
Middlesex	— 1,417	+ 3,846	+ 2,429	— 23	+ 6	— 17	— 2,152	— 92	— 168
Monmouth	— 186	+ 681	+ 495	— 18	+ 4	— 14	— 410	— 51	— 21
Morris	— 248	+ 1,223	+ 975	— 17	+ 7	— 10	— 875	— 32	— 58
Ocean	— 21	+ 175	+ 154	— 3	+ 3	— 0	— 130	— 4	— 21
Passaic	— 923	+ 2,585	+ 1,662	— 2	+ 0	— 2	— 1,344	— 263	— 54
Salem	— 420	+ 828	+ 408	— 40	+ 17	— 23	— 363	— 7	— 16
Somerset	— 378	+ 1,362	+ 984	— 16	+ 6	— 10	— 900	— 22	— 52
Sussex	— 48	+ 244	+ 196	— 21	+ 31	+ 10	— 183	— 4	— 19
Union	— 1,184	+ 3,217	+ 2,033	— 1	+ 0	— 1	— 1,796	— 166	— 69
Warren	— 37	+ 178	+ 141	— 58	+ 49	— 9	— 121	— 1	— 10
Total	—$15,302	+$39,638	+$24,336	—$441	+$234	—$207	—$19,132	—$3,232	—$1,765

Application of the dual tax rates had the effect of reducing taxes upon all classes of property other than business and farm personal property below what they would have been had general tax rates been applied to Chapter 51 taxable values. For example, $19.1 million of the $39.9 million total tax redistribution was "shifted" from residential real estate to business and farm personal property. All of the redistribution was not from residential to business. Commercial and industrial real estate taxes were reduced by $15.2 million from what they would have been under general tax rates.

Table 7 shows that the two-way effect of business personal property tax increases and commercial and industrial real estate tax decreases resulting from the dual tax rates was a net "tax shift" of $24 million to business. If Chapter 51 contained no dual tax rate provision, it would appear that commercial and industrial businesses would have been taxed $24 million less in 1965. In contrast $234,000 of farm personal property tax increases attributable to dual tax rates were more than offset by $441,000 of farm real estate tax reductions attributable to the same dual tax rates. In the aggregate farm real and personal property taxes were thus reduced by $207,000 from what they would have been if Chapter 51 contained no dual tax rate provision for 1965. In addition to $19 million of dual tax rate advantage for residential real estate (housing fewer than 4 families), Table 7 shows a $3.2 million advantage for apartments and $1.8 million for such other classes of taxable property as vacant land, Class II railroad, and personal property not used in business.

Table 8 shows that dual tax rates apply in 13 of the 15 largest New Jersey municipalities (Atlantic City and Hoboken use general tax rates). These 13 large taxing districts account for 45.3% of all personal property tax increases attributable to the dual tax rate. The same 13 municipalities account for 40.3% of the aggregate (net) tax shift to commercial and industrial taxpayers. In contrast they account for only 35.2% of all residential real estate tax savings attributable to the dual tax rate. It is not necessary to extend this description of Table 8 to indicate that taxes reapportioned by the dual tax rate in larger cities is more a reapportionment among business taxpayers than between business and residential taxpayers.

In the aggregate the distribution of property taxes among the principal classes of taxpayers has remained remarkably uniform. For example, Table 9 shows that residential property carried 54.1% of the total local property tax load in 1965 as compared with 53.7% in 1963 and 1964. With all of the changes in personal property, total business real estate and personal property taxes represented the same percentage of all local property taxes in 1965 (40.3%) as in 1963.

TABLE 8

TAXES REAPPORTIONED BY "DUAL" TAX RATES AS COMPARED WITH GENERAL RATE
15 LARGEST MUNICIPALITIES
(Amounts in Thousands)

District and County	Commercial and Industrial			Other Property		
	Real	Personal	Net	Residential	Apartments	All Other*
Atlantic City, Atlantic	— $0	+ $0	+ $0	— $0	— $0	— $0
Camden City, Camden	— 68	+ 172	+ 104	— 95	— 4	— 6
Bloomfield Town, Essex	— 31	+ 138	+ 107	— 92	— 14	— 1
East Orange, Essex	— 95	+ 421	+ 326	— 184	— 137	— 5
Irvington Town, Essex	— 36	+ 173	+ 137	— 108	— 26	— 2
Newark City, Essex	— 4,584	+ 8,590	+ 4,006	— 2,568	— 1,193	— 246
Bayonne City, Hudson	— 860	+ 1,497	+ 637	— 494	— 101	— 43
Hoboken City, Hudson	— 0	+ 0	+ 0	— 0	— 0	— 0
Jersey City, Hudson	— 1,189	+ 3,017	+ 1,828	— 852	— 450	— 526
Trenton City, Mercer	— 402	+ 941	+ 539	— 498	— 28	— 12
Woodbridge Twp., Middlesex	— 244	+ 993	+ 749	— 690	— 21	— 39
Clifton City, Passaic	— 191	+ 596	+ 405	— 371	— 26	— 8
Paterson City, Passaic	— 120	+ 333	+ 213	— 182	— 26	— 5
Elizabeth City, Union	— 189	+ 541	+ 352	— 246	— 84	— 22
Union Twp., Union	— 113	+ 459	+ 346	— 321	— 14	— 11
Total—15 Municipalities	— $8,122	+$17,871	+ $9,749	— $6,701	—$2,124	— $926
STATE TOTAL	—$15,248	+$39,474	+$24,226	—$19,039	—$3,223	—$1,965
15 Municipalities as % of State Total	53.2%	45.3%	40.3%	35.2%	65.9%	47.1%

* Including Farm.

TABLE 9

NEW JERSEY PROPERTY TAX CHANGE—1963-1965
BY CLASS OF PROPERTY
(Amounts in Thousands of Dollars)

	1963	1964	1965	1963	1964	1965
RESIDENTIAL						
Real Estate	$582,003	$635,799	$682,586	56.20%	56.53%	56.78%
Personal Property	194	184	146	.02	.02	.01
Less Exemptions	26,039	32,076	32,689	2.51	2.85	2.72
Net Residential	$556,159	$603,907	$650,043	53.71%	53.70%	54.07%
BUSINESS						
Real Estate	$318,602	$345,637	$365,446	30.76%	30.74%	30.41%
Commercial	157,531	169,931	179,573	15.21	15.11	14.94
Industrial	104,086	111,812	115,810	10.05	9.95	9.64
Apartments	56,985	63,893	70,063	5.50	5.68	5.83
Personal Property	98,957	108,849	118,411	9.55	9.68	9.85
Inventories	42,485	47,086	29,499	4.10	4.19	2.45
Machinery & Equipment	56,472	61,763	88,912	5.45	5.49	7.40
Total Business	$417,559	$454,485	$483,857	40.31%	40.42%	40.25%
FARM						
Real Estate	$15,449	$16,255	$17,015	1.49%	1.44%	1.42%
Personal Property	1,074	1,341	599	.11	.12	.05
Total Farm	$16,523	$17,596	$17,614	1.60%	1.56%	1.47%
VACANT LAND	$30,678	$34,284	$37,058	2.96%	3.05%	3.08%
CLASS II RAILROAD	$14,672	$14,240	$13,609	1.42%	1.27%	1.13%
TOTAL GENERAL PROPERTY TAX	$1,035,591	$1,124,513	$1,202,180	100.00%	100.00%	100.00%

Total property tax reported in County Abstracts of Tax Ratables:
$1,201,126,000 exclusive of deductions allowed veterans and senior citizens.
Total $1,202,180,000 derived by applying local tax rates. Difference due to rounding of tax rates.

6. Other Amendments

In addition to providing for separate personal property tax rates during a 2-year transition period (1965 and 1966), the 1964 amendments also revised Chapter 51 to provide:

1. A 20% of original cost floor under the book values of properties depreciated below 20% of its original cost (Chapter 140, Laws of 1964).
2. A reduced taxable value of non-farm depreciable personal property from 100% to 65% of the "common level" (Chapter 141, Laws of 1964).

The first of these amendments restored the "20% floor" provision eliminated in 1963 from Chapter 51, as originally adopted in 1960. This provision had the effect of increasing the book value of depreciable personal property reported in duplicate returns (excluding unit value and estimated returns) by $183.1 million or 6.7% of the total adjusted net value. As shown in Table 10, these increases in book values averaged 6.6% for non-farm property and 12.6% for farm property other than livestock held for production (7.3% for farm property including livestock).

The reduction in taxable value from 100% to 65% of "common level" for non-farm depreciable property reduced the taxable values reported in duplicate and estimated returns by $628 million or 35% of the total adjusted book values, including amounts added by the "20% floor" as well as amounts reported as unit values and estimated returns. After adjustment for appropriate "common level" application to book values reflected by the 20% minimum, the two-way effect of both amendments was a net reduction of approximately $511.7 million in taxable values—representing a net reduction of about 32.7% from taxable values of depreciable property which would have prevailed under Chapter 51 prior to the amendments. The overall reduction includes an increase of approximately $600,000 of farm property and a net reduction of approximately $512.3 million for non-farm depreciable property as follows:[2]

2. For the reader who is curious concerning the way the two amendments affect the information supplied in duplicate tax returns and the calculation of taxable values, the following summary is shown:

	Non-Farm	Farm ($ millions)	Total
Depreciable Property			
Original Cost	$5,465.9	$57.6	$5,523.5
Depreciation, etc.	2,937.7	33.8	2,971.5
Depreciated Value	$2,528.2	$23.8	$2,552.0
Add Adjustment for 20%	179.7	3.4	183.1
Adjusted Net Value	$2,707.9	$27.2	$2,735.1
Add Unit Value & Estimated Returns	76.3	0.8	77.1
Farm Livestock held for production	....	19.2	19.2
Total Adjusted Net Value	$2,784.2	$47.2	$2,831.4
Taxable Value			
At Common Level (non-farm)	$1,794.3	$8.6*	$1,802.9
At 65% (non-farm) and 25% (farm) of common level	$1,166.3	$8.6*	$1,174.9

* Farm personalty would be assessable at 25% of "Common Level" in either case.

	Farm	Non-Farm	Total
	— — — $ Millions — — —		
20% Minimum	$0.6	$115.7	$116.3
Reduction from 100% to 65%	...	— 628.0	— 628.0
Net Change	$0.6	—$512.3	—$511.7

Duplicate returns and estimated returns as tabulated account for 97% of all taxable values of business and farm personal property (See Table 2). Upon this basis, the $511.7 million of reduced taxable values attributable to amendments contained in Chapters 140 and 141, Laws of 1964, would become $527.5 million. This amount added to $1,583.2 million of total Chapter 51 taxable values of all business and farm personal property in 1965 would cause the total to become $2,110.7 million, or 1.9% more than the total taxable value of such personal property in 1964 prior to implementation of Chapter 51. Similar adjustment in the total of all taxable property for 1965 would cause business and farm personal property taxable values to represent 7.6% of the local property tax base as compared with 8.6% in 1964 and 8.5% in 1963. The implication is that even without the amendments adopted in 1964, Chapter 51 taxable values in 1965 would constitute a slightly smaller portion of the total local property tax base than was represented by personal property valuations taxable in 1964 and 1963.

7. Business Class

Table 11 shows that personal property reported by manufacturing businesses account for 41.4% of the taxable value of all personal property reported in all duplicate and estimated returns filed with the Division of Taxation. Totaling $638.6 million, the taxable value of manufacturing personal property included $157.9 million taxable value of inventory and $480.7 million taxable value of other personal property. Manufacturing business accounted for 40.9% of the taxable value of all business personal property other than inventory and 43% of the taxable value of all inventories.

In the case of wholesale trade the taxable value of inventories ($51.9 million) is substantially in excess of the taxable value of other personal property ($28.1 million). This is the only business class for which taxable values of inventory exceeded taxable values of personal

TABLE 10

EFFECT OF 20% MINIMUM VALUATION UPON TOTAL NET VALUE OF DEPRECIABLE PERSONAL PROPERTY

(Amounts in Thousands)

County	Number of Returns			Adjustments for 20%			Net Value			Adjustment as % of Net Value		
	Non-Farm	Farm	Total	Non-Farm	Farm	Total	Non-Farm	Farm[1]	Total	Non-Farm	Farm	Total
Atlantic	6,083	528	6,611	$2,788.2	$129.8	$2,918.0	$57,591.3	$961.5	$58,552.9	4.8%	13.5%	5.0%
Bergen	19,873	87	19,960	19,563.6	25.4	19,589.0	297,581.6	179.6	297,761.1	6.6	14.2	6.6
Burlington	4,836	813	5,649	3,155.9	389.2	3,545.1	87,765.4	2,832.8	90,598.2	3.6	13.7	3.9
Camden	8,215	254	8,469	7,098.1	47.1	7,145.2	139,578.9	314.5	139,893.4	5.1	15.0	5.1
Cape May	6,330	121	6,451	1,780.3	47.9	1,828.2	26,432.4	303.6	26,736.0	6.7	15.8	6.8
Cumberland	3,842	1,010	4,852	4,251.3	363.8	4,615.1	47,566.7	2,106.9	49,673.6	8.9	17.3	9.3
Essex	22,878	19	22,897	22,224.2	12.9	22,237.1	316,812.2	64.2	316,876.4	7.0	20.2	7.0
Gloucester	2,883	770	3,653	1,920.3	247.9	2,168.2	39,431.3	1,873.9	41,305.2	4.9	13.2	5.2
Hudson	16,174	....	16,174	20,766.7	....	20,766.7	254,217.9	....	254,217.9	8.2	..	8.2
Hunterdon	2,048	969	3,017	1,576.0	403.5	1,979.5	34,911.3	3,878.9	38,790.1	4.5	10.4	5.1
Mercer	7,656	355	8,011	5,988.0	149.6	6,137.6	132,821.1	1,240.8	134,061.9	4.5	12.1	4.6
Middlesex	9,302	444	9,746	17,330.5	249.5	17,580.0	257,401.5	1,446.3	258,847.8	6.7	17.3	6.8
Monmouth	9,811	824	10,635	4,410.0	335.5	4,745.5	110,468.1	2,258.7	112,726.9	4.0	14.9	4.2
Morris	6,975	221	7,196	8,055.9	68.0	8,124.0	141,596.7	679.4	142,276.1	5.7	10.0	5.7
Ocean	6,020	352	6,372	1,537.9	95.9	1,633.7	58,193.4	596.6	58,790.0	2.6	16.1	2.8
Passaic	12,607	39	12,646	14,121.9	8.5	14,130.4	214,296.0	68.1	214,364.1	6.6	12.5	6.6
Salem	1,394	768	2,162	10,382.1	354.0	10,736.0	69,280.6	2,668.7	71,949.3	15.0	13.3	14.9
Somerset	3,495	513	4,008	9,258.6	163.7	9,422.2	72,024.2	1,433.3	73,457.6	12.9	11.4	12.8
Sussex	1,977	513	2,490	791.4	135.0	926.4	21,650.0	1,698.1	23,348.2	3.7	8.0	4.0
Union	12,823	41	12,864	20,538.6	17.5	20,556.1	297,594.4	71.0	297,665.4	6.9	24.6	6.9
Warren	2,162	607	2,769	2,168.2	189.8	2,358.0	30,680.1	2,508.3	33,188.5	7.1	7.6	7.1
Total	167,384	9,248	176,632	$179,707.6	$3,434.4	$183,142.0	$2,707,895.3	$27,185.3	$2,735,080.5	6.6%	12.6%	6.7%

Difference in totals due to rounding.

1. Excludes farm livestock held for production.

TABLE 11

NET BOOK VALUES SUBJECT TO TAX AND TAXABLE VALUES, BY BUSINESS CLASS

(Amounts in thousands)

Class	Book Values			Percentages			Taxable Values		
	Inventory	Other	Total	Inventory	Other	Total	Inventory	Other	Total
Manufacturing	$1,045,253	$1,219,082	$2,264,335	15.11%	39.43%	28.20%	$157,905	$480,661	$638,566
Wholesale	312,537	64,919	377,456	16.59	43.35	21.19	51,854	28,140	79,993
Retail	639,306	242,644	881,949	16.90	44.67	24.54	108,034	108,396	216,430
Service	49,126	903,655	952,780	17.20	44.55	43.14	8,450	402,548	410,999
Professional	20,555	46,231	66,786	19.34	45.76	37.63	3,975	21,157	25,132
Other	170,774	219,615	390,389	13.76	39.46	28.22	23,497	86,667	110,163
Farm	1,965	46,417	48,381	16.35	18.48	18.40	321	8,579	8,900
Unknown	83,088	88,072	171,161	16.10	44.06	30.49	13,380	38,801	52,181
Total	$2,322,603	$2,830,633	$5,153,237	15.82%	41.51%	29.93%	$367,415	$1,174,950	$1,542,365

Difference in totals due to rounding.

property other than inventories. For example, retail trade businesses show taxable values of inventories ($108.0 million) slightly under the taxable value of personal property other than inventory ($108.4 million). Retail and wholesale trade together account for 43.5% of all taxable values of inventories and 11.6% of all non-inventory taxable values.

Second only to manufacturing businesses in total taxable values, service businesses account for $411 million or 26.6% of all personal property taxable values. Dominated by telephone companies, reporting no inventories, the service category accounts for 34.3% of all non-inventory taxable values and only 2.3% of all inventory taxable values.

On the surface, the subordinate position of business inventories within the personal property tax base for all classes of business appears to be largely the result of assessing inventories at 25% of "common level" as compared with 65% of "common level" for other types of personal property except farm property. After adjustment for all deductions and exemptions, the book value of inventories subject to taxation prior to the application of assessment percentages and "common levels" aggregates almost as much as similar book values for other classes of property. Such an overall result, however, does not prevail for single classes of businesses. In the case of manufacturing, taxable inventories show book values aggregating $1.0 billion as compared with $1.2 billion of book values for taxable personal property other than inventories. In the case of retail trade all book values of taxable inventories total $639.3 million as compared with book values of $242.6 million for other personal property. Taxpayers engaged in wholesale trade reported book values of taxable inventories aggregating $312.5 million as compared with $64.9 million for personal property other than inventories. In contrast, service businesses report $49.1 million of inventory book values as compared with the $903.7 million for other personal property.

These and other summary results shown in Table 11 indicate that "favored" tax treatment for business inventories as compared with other classes of tangible personal property is of greater importance to retail and wholesale trade than to manufacturing or other classes of business. The reason is that inventories constitute a greater portion of the total amount of tangible personal property held by trading business.

8. Business Inventories

Table 12 shows that the book value of inventories subject to tax under Chapter 51 averages 67.8% of all inventories reported by non-

TABLE 12

Business Inventories Non-Farm

(Amounts in thousands)

Business Class	Total Inventories	Inventories Not Taxable: Raw Materials	Inventories Not Taxable: Warehouse	Inventories Not Taxable: Total	Inventories Taxable	Taxable Value	% of Total Inventory: Taxable	% of Total Inventory: Taxable Value
Manufacturing	$1,903,325	$828,372	$29,701	$858,072	$1,045,253	$157,905	54.92%	8.30%
Wholesale	392,779	44,584	35,658	80,243	312,537	51,854	79.57	13.20
Retail	658,178	14,679	4,194	18,872	639,306	108,034	97.13	16.41
Services	81,793	28,123	4,544	32,667	49,126	8,450	60.06	10.33
Professional	25,701	4,802	344	5,146	20,555	3,975	79.98	15.47
Other	257,719	70,195	16,749	86,944	170,774	23,497	66.26	9.12
Unknown	100,606	14,976	2,542	17,517	83,088	13,380	82.59	13.30
Total	$3,420,101	$1,005,731	$93,731	$1,099,462	$2,320,638	$367,094	67.85%	10.73%

Difference in totals due to rounding.

farm personal property taxpayers. The difference between $2.3 billion of inventories subject to tax and $3.4 billion of total inventories represents values exempted as raw materials or as goods stored in a public warehouse. Table 12 also shows that this average result includes results for separate business categories ranging from a low of 55% of all manufacturing inventories to a high of 97% of all retail trade inventories. In other words, approximately all retail inventories enter into the Chapter 51 tax calculations whereas approximately ½ of all manufacturing inventories enter into such calculations.

Application of taxable percentages representing 25% of the "common level" percentage in each taxing district causes the taxable value of inventories to average 10.7% of the total value of all inventories—taxable and exempt—reported in taxpayer returns. Table 12 shows that this percentage varies from a low of 8.3% for manufacturing taxpayers to a high of 16.4% for retail trade.

Although business inventories represent 23.8% of all taxable values indicated in duplicate tax returns, the position of inventories within the local personal property tax base varies from a low of 13% in Cape May and Sussex Counties to a high of 27% in Gloucester, Hudson and Union Counties.

As shown in Table 13, the position of inventories within the total Chapter 51 personal property tax base is in no way uniform as among the several classes of business. For example, inventories average 2.1% of all personal property taxable values for service businesses as compared with 64.8% of all taxable values for wholesale business. These percentages also vary among the counties. However, the general picture of inventories as a prominent part of personal property tax base for trading businesses as compared with manufacturing and other types of businesses is consistent throughout.

9. Depreciable Personal Property

Table 14 shows that depreciation reported in duplicate personal property tax returns other than those reporting unit values averaged 52.8% of the original cost of such property. As among the several classes of business, these depreciation allowances ranged from a low of 35% of original cost for services to a high of 60.2% for manufacturing businesses. Investment tax credits and other adjustments resulted in moderate further reductions. However, these adjustments amounted to less than 2% for any single business category. After upward adjustments for the 20% minimum valuation for properties depreciated below this level, the adjusted net values for all reporting

TABLE 13

INVENTORY AS % OF CHAPTER 51 TAXABLE VALUE
BY CLASS OF BUSINESS
1965

County	Manufacturing	Wholesale	Retail	Services	Professional	Other	Farm	Unknown	Total
Atlantic	25.3%	60.2%	48.3%	2.0%	19.0%	7.4%	5.2%	22.5%	19.1%
Bergen	23.7	67.9	47.6	3.4	18.8	32.6	19.0	30.7	26.4
Burlington	17.8	70.1	44.5	2.5	1.8	12.5	4.4	14.0	19.7
Camden	27.3	63.8	46.7	1.3	4.7	23.7	6.4	24.6	25.3
Cape May	8.4	34.4	43.4	.9	1.7	10.2	1.2	12.4	13.0
Cumberland	27.1	45.5	55.8	1.6	1.5	8.9	3.9	27.1	24.5
Essex	31.1	67.4	52.3	1.9	2.7	12.9	4.1	21.6	25.0
Gloucester	22.2	73.1	52.9	1.1	2.3	13.3	9.9	42.7	27.3
Hudson	24.8	67.9	51.7	3.5	6.9	40.1	..	30.1	27.2
Hunterdon	10.7	44.7	53.6	2.1	5.5	19.2	2.2	27.4	14.1
Mercer	22.5	62.5	54.7	1.7	4.0	6.4	4.1	42.1	22.7
Middlesex	22.1	64.4	48.0	1.6	24.5	23.5	12.9	10.6	22.3
Monmouth	29.1	53.6	51.7	2.2	2.6	7.7	7.5	18.7	21.9
Morris	21.0	59.4	50.0	.7	1.6	7.4	3.4	19.5	17.9
Ocean	29.2	34.5	46.6	1.0	.7	6.9	4.4	17.6	19.1
Passaic	23.3	66.2	51.4	2.1	51.8	26.4	3.0	26.8	25.4
Salem	21.8	55.8	55.5	.8	4.9	16.4	2.4	26.3	21.2
Somerset	23.6	68.0	50.9	1.1	2.1	7.2	2.9	69.8	23.9
Sussex	14.4	43.3	48.1	.7	5.2	2.6	.7	22.9	13.1
Union	27.2	67.7	52.6	2.0	9.2	25.7	16.5	20.1	27.4
Warren	34.3	52.3	48.7	1.5	3.0	4.6	1.2	21.7	24.8
Total	24.7%	64.8%	49.9%	2.1%	15.8%	21.3%	3.6%	25.6%	23.8%

TABLE 14

Depreciable Personal Property Non-Farm

State Total	Original Cost	Investment Tax Credit	Depreciation Allowed	Other Adjustments	Adjustments For Fiscal Year Taxpayers	Adjustments For 20%	Total Book Value	Unit Value No Detail
Manufacturing	2,839,149,708.03 100.00%	25,934,989.38 .91%	1,708,451,197.99 60.17%	1,005,113.56 — .04%—	2,266,711.39 — .08%—	113,758,818.47 4.01%	1,215,250,514.18 42.80%	3,831,235.08
Wholesale	112,987,653.96 100.00%	942,525.82 .83%	66,691,565.54 59.03%	13,380.54 .01%	88,370.50 — .08%—	4,434,799.69 3.93%	49,713,372.33 44.00%	15,205,584.83
Retail	479,163,254.30 100.00%	4,355,838.80 .91%	259,808,857.76 54.22%	242,573.38 .05%	1,340,307.93 .28%	18,821,883.54 3.93%	235,403,322.59 49.13%	7,240,539.84
Services	1,366,154,603.71 100.00%	8,979,956.26 .66%	481,927,595.22 35.28%	142,982.96 .01%	876,420.90 — .06%—	16,858,626.50 1.23%	891,372,240.79 65.25%	12,282,317.42
Professional	97,229,053.56 100.00%	1,205,489.83 1.24%	54,302,930.13 55.85%	395,097.96 — .41%—	77,047.20 — .08%—	4,765,466.45 4.90%	46,013,954.89 47.33%	216,772.03
Other	456,828,687.32 100.00%	5,556,341.77 1.22%	251,195,864.88 54.99%	699,482.32 .15%	1,248,373.46 — .27%—	17,992,469.71 3.94%	217,520,059.24 47.62%	2,094,552.79
Unknown	114,424,229.41 100.00%	703,066.46 .61%	65,244,721.47 57.02%	1,239,911.30 1.08%	170,103.74 — .15%—	3,075,542.15 2.69%	52,621,791.19 45.99%	35,450,633.18
Total	5,465,937,190.29 100.00%	47,678,208.32 .87%	2,887,622,732.99 52.83%	938,118.98 .02%	3,386,719.26 — .06%—	179,707,606.51 3.29%	2,707,895,255.21 49.54%	76,321,635.17
							Total Book Value	2,784,216,890.38

taxpayers average 49.5% of the original cost of all such personal property. As among the several classes of business the adjusted book value ranged from 42.8% of original cost for manufacturing businesses to a high of 65.3% for service businesses.

The fact that adjusted net values of personal property reported under Chapter 51 averaged 49.5% of the original cost of such property suggests a recommendation by the Commission on State Tax Policy,[3] that such property be valued at 50% of its original cost is within the realm of statistical feasibility. However, under Chapter 51 as implemented in 1965, the adjusted net values were on the basis of 65% of the "common level" prevailing in the local taxing district where the property is located. In contrast, the recommendation by the Commission on State Tax Policy anticipated taxable values representing 50% of the original cost multiplied by 50% of the "common level." Although 50% of original cost and adjusted net value under Chapter 51 are comparable in overall amounts, the Commission recommendation would have the effect of reducing the taxable values by 15% of the "common level" (65% minus 50%).

The fact that adjusted book values for reporting taxpayers averaged 49% of the original cost of non-farm depreciable property does not mean that this percentage applies for all taxpayers in all classes of business and in all local taxing districts. Table 15 shows that adjusted book values for all reporting taxpayers range from a low of 44.7% of original cost of property reported from Somerset County to a high of 58.8% of all such property reported from Ocean and Sussex County.

Table 15 suggests that some of this variation among the counties is in fact a variation in the principal types of business within the county. However, Table 15 also shows that this conclusion must be broadly interpreted because there is considerable inter-county variation within single business classifications.

10. Class of Ownership

Table 16 shows that 88% of the taxable value of all personal property used in business and reported in duplicate returns in 1965 was owned by corporations. This overall total reflects corporation ownership of 84.9% of taxable values of all business inventories and 88.6% of taxable values of all other taxable property used in business. As among the 21 counties the percentage of corporate ownership of all taxable values of personal property used in business ranged from a low of 62% in Cape May to a high of 93.5% in Middlesex.

3. Commission on State Tax Policy, Tenth Report, p. 103.

TABLE 15

ADJUSTED BOOK VALUE AS % OF ORIGINAL COST OF NON-FARM DEPRECIABLE PROPERTY
BY COUNTY AND BY TYPE OF BUSINESS

County	Manufacturing	Wholesale	Retail	Services	Professional	Other	Unknown	Total
Atlantic	46.8%	44.5%	50.2%	61.6%	42.9%	35.7%	54.0%	53.9%
Bergen	42.0	46.6	49.5	66.5	48.4	41.2	47.0	49.2
Burlington	50.1	45.9	81.2	70.0	49.9	38.0	39.8	57.1
Camden	42.5	41.1	53.1	70.0	47.8	55.0	37.5	50.6
Cape May	48.0	43.9	51.0	60.1	50.9	47.6	53.7	54.7
Cumberland	41.0	42.6	49.6	68.8	46.2	44.4	44.6	48.2
Essex	39.6	40.0	45.4	61.8	44.2	46.3	46.5	48.9
Gloucester	42.7	37.4	50.2	70.7	53.7	42.9	50.7	51.9
Hudson	39.5	43.0	45.9	61.1	41.6	49.0	40.7	45.6
Hunterdon	46.5	42.6	47.3	75.1	56.1	45.5	42.0	52.9
Mercer	43.6	38.7	46.9	66.1	44.8	46.3	45.7	50.2
Middlesex	41.7	44.9	49.6	67.3	45.0	45.1	47.0	46.8
Monmouth	50.2	43.4	50.7	67.2	49.5	60.1	52.1	58.5
Morris	49.4	46.4	47.0	68.0	60.0	49.3	50.3	54.6
Ocean	52.4	54.4	52.3	67.2	48.9	50.6	53.8	58.8
Passaic	44.0	45.3	47.9	63.4	47.2	49.3	47.5	48.7
Salem	43.4	48.5	46.0	69.8	45.3	76.9	47.0	45.7
Somerset	38.4	40.9	50.2	66.2	50.5	42.9	46.9	44.7
Sussex	49.8	39.9	52.6	69.1	48.3	57.0	49.3	58.8
Union	43.7	50.3	44.4	64.5	44.0	55.7	42.7	48.4
Warren	39.2	43.0	58.5	64.1	51.1	44.5	44.2	47.7
Total	42.8%	44.0%	49.1%	65.3%	47.3%	47.6%	46.0%	49.0%

Recurring suggestions that taxes upon personal property used in business can be "replaced" by income or franchise taxes upon corporations have raised questions concerning the position of unincorporated business within the amended tax structure. Experience with duplicate Chapter 51 personal property tax returns filed in 1965 indicates that approximately 12% of the taxable value of all business personal property is owned by unincorporated taxpayers. It is this 12% of the taxable values—and presumably of the taxes levied—which would fall outside the replacement program based upon a concept of substituting one corporation tax for another corporation tax.

There is one further consideration to be taken into account in the matter of possible "replacement" for business personal property taxes. Telephone and telegraph companies are not presently subject to the Corporation Business Tax in New Jersey because they pay, instead, the Public Utility Franchise Tax. Personal property owned by corporations and reported in duplicate tax returns for 1965 include substantial valuations of non-inventory personal property owned by telephone and telegraph corporations. "Replacement" of all personal property taxes with corporation income taxes implies that unless other changes are accomplished at the same time, personal property of telephone and telegraph companies will be removed from the local property tax base without "replacement" by any other tax paid by the telephone and telegraph companies.

11. Differences Between Duplicate Returns and Taxable Values

Detailed field investigations in taxing districts showing the greatest difference between taxable values derived from duplicate and estimated returns and taxable values reported in County Abstracts of Tax Ratables indicate some of the problems of local tax compliance with requirements of Chapter 51. Some errors were made and various inadequacies were brought to light. It is probable that similar errors and inadequacies prevail in each annual assessment of general property taxes in some of the local taxing districts. The only thing that sets the Chapter 51 experience apart at this time is that detailed examinations have been made and the discrepancies have been documented.

In broad outline the nature of discrepancies encountered can be summarized as follows:

Some local assessors were not consistent in applying percentages of "common level." In some instances no "common levels" at all were applied. In other instances 25% of "common level" was applied to personal property which should be taxable at 65% of "common level" and the 65% "common level" was applied

TABLE 16

CHAPTER 51 TAXABLE VALUES BY CLASS OF OWNERSHIP
(Amounts in Thousands)

County	Inventory			Other			All Property			% Corporation		
	Corporation	Other	All Property	Corporation	Other	Total	Corporation	Other	Total	Inventory	Other	Total
Atlantic	$2,958.7	$1,492.5	$4,451.2	$15,801.7	$3,086.7	$18,888.4	$18,760.4	$4,579.2	$23,339.6	66.5%	83.7%	80.4%
Bergen	55,784.8	7,945.1	63,729.9	158,130.2	19,643.9	17,774.1	213,915.0	27,589.0	241,504.0	87.5	89.0	88.6
Burlington	12,355.6	2,244.6	14,600.2	53,193.9	6,347.9	59,541.8	65,549.5	8,592.5	74,142.0	84.6	89.3	88.4
Camden	13,425.7	2,350.1	15,775.8	41,585.8	4,912.8	46,498.6	50,011.5	7,262.9	62,274.4	85.1	89.4	88.3
Cape May	1,573.2	1,329.5	2,902.7	12,355.1	7,070.1	19,425.2	13,928.3	8,399.5	22,327.8	54.2	63.6	62.4
Cumberland ...	3,325.9	886.4	4,212.3	11,232.1	1,760.7	12,992.8	14,558.1	2,647.0	17,205.1	79.0	86.4	84.6
Essex	51,010.2	8,554.9	59,565.1	160,205.0	18,963.6	179,168.6	211,215.2	27,518.4	238,733.6	85.6	89.4	88.5
Gloucester	2,388.0	596.3	2,984.3	6,907.9	1,032.2	7,940.1	9,295.8	1,628.6	10,924.4	80.0	87.0	85.1
Hudson	20,770.9	2,373.8	23,144.7	55,337.4	6,549.1	61,886.5	76,108.3	8,922.9	85,031.2	89.7	89.4	89.5
Hunterdon	2,950.2	1,185.0	4,135.2	21,751.8	3,503.2	25,255.0	24,702.1	4,688.1	29,390.2	71.3	86.1	84.0
Mercer	9,740.5	2,738.9	12,479.4	38,612.2	3,938.9	42,551.1	48,352.6	6,677.9	55,030.5	78.1	90.7	87.9
Middlesex	19,630.1	1,795.9	21,426.0	70,252.0	4,403.2	74,655.2	89,882.1	6,199.1	96,081.2	91.6	94.1	93.5
Monmouth	14,430.3	4,639.4	19,069.7	57,745.8	10,223.1	67,968.9	72,176.0	14,862.5	87,038.5	75.7	85.0	82.9
Morris	8,400.2	1,393.8	9,794.0	41,562.0	3,472.9	45,034.9	49,962.3	4,866.7	54,829.0	85.8	92.3	91.1
Ocean	7,276.3	1,742.8	9,019.1	32,288.5	5,867.9	38,156.4	39,564.8	7,610.7	47,175.5	80.7	84.6	83.9
Passaic	34,507.2	8,102.9	42,610.1	107,848.4	17,332.0	125,180.4	142,355.7	25,434.8	167,790.5	81.0	86.2	84.8
Salem	2,490.0	314.0	2,804.0	9,683.3	736.9	10,420.2	12,173.3	1,050.9	13,224.2	88.8	92.9	92.1
Somerset	6,996.1	857.5	7,853.6	22,541.1	2,489.5	25,030.6	29,537.3	3,346.9	32,884.2	89.1	90.1	89.8
Sussex	1,652.7	818.1	2,470.8	13,629.7	2,757.7	16,387.4	15,282.4	3,575.7	18,858.1	66.9	83.2	81.0
Union	34,175.1	3,121.2	37,296.3	91,800.6	6,883.4	98,684.0	125,975.7	10,004.6	135,980.3	91.6	93.0	92.6
Warren	6,013.9	1,077.1	7,091.0	17,981.0	3,528.1	21,509.1	23,994.9	4,605.2	28,600.1	84.8	83.6	83.9
Total	$311,855.6	$55,559.7	$367,415.3	$1,040,445.6	$134,503.9	$1,174,949.5	$1,352,301.1	$190,063.8	$1,542,364.9	84.9%	88.6%	87.7%

Difference in totals due to rounding.

to property which should be taxable at 25% of "common level." In some instances both "wrong applications" were found within a single taxing district. In at least one taxing district no "common level" was applied and book values were entered as taxable values.

In some instances duplicate personal property tax returns were received from taxpayers reporting such specialized properties as pipelines and utilities which the local assessor entered in his tax rolls as real estate. This had the effect of distorting the comparative relationship between taxable personal property as derived from duplicate returns and taxable personal property as reported in County Abstracts of Tax Ratables. It also had the effect of distorting the relationship between real estate and personal property in the taxing districts where it occurred.

In some instances assessors apparently disregarded personal property tax returns and entered arbitrary assessments. Examples include $80,000 of taxable values of inventory for one taxpayer assessed at $2,000. Another example indicates taxable values of $880,000 assessed at $573,000.

Errors in decimal points are not unusual. For example, one taxable value of $195,000 was entered in the tax list at $19,500. Another return indicating taxable value of $118,500 was entered in the tax rolls at $1,185. Yet another taxable value of $96,390 was assessed at $9,639.

Errors in transposition of numbers were also not unusual. For example, in one taxing district a taxable value of $1,776,000 was entered in the tax roll as $1,177,000. In one taxing district $712,000 of depreciable property was listed as $72,000.

In some instances duplicate personal property tax returns were received for taxpayers which were excluded entirely from local tax rolls.

In a few instances personal property tax returns were filed by taxpayers in the wrong taxing district and duplicates of these returns were forwarded by the assessor to the Division of Taxation for inclusion in the statistical tabulations.

Other errors were found in the investigation and it should be pointed out that all of them were not made by local assessors. It should also be pointed out that the sum total of all discrepancies discovered in this investigation was not of a magnitude to detract from the overall validity of the tabulation. In a few taxing districts and for a few taxpayers the results are clearly not valid.

Although these results were obtained under a new law (Chapter 51) effective for the first time in 1965, it seems improbable that complete uniformity of application of book value assessments as provided in Chapter 51 can ever be attained under the unsupervised administration of more than 912 assessors in 567 separate local taxing districts.

12. Farm Personal Property

Table 17 shows the distribution among counties of farm personal property net valuations aggregating $48.4 million with taxable values totaling $8.9 million. In contrast to other business classifications all farm property—depreciable property as well as inventories are taxable at 25% of the "common level." Comparison between $48.4 million of net value and $8.9 million of taxable value shows that the two-way

TABLE 17

FARM PERSONAL PROPERTY
(Amounts in Thousands)

County	Machinery and Equipment Original Cost	Machinery and Equipment Reported Depreciation	20% Adjustment	Adjusted Net Value	Livestock Held For Production	Farm Inventories	Total Net Value	Taxable Value Total
Atlantic	$2,235.4	$1,403.7	$129.8	$961.5	$356.2	$72.3	$1,390.0	$165.9
Bergen	472.0	317.8	25.4	179.6	38.6	50.2	268.4	61.6
Burlington	6,181.0	3,737.4	389.2	2,832.8	2,108.2	228.0	5,169.1	1,285.4
Camden	667.9	400.5	47.2	314.5	46.0	25.1	385.6	45.6
Cape May	586.9	331.2	47.9	303.6	75.3	4.8	383.6	93.3
Cumberland	4,926.3	3,183.2	363.8	2,106.9	852.4	121.3	3,080.5	307.9
Essex	164.5	113.2	12.9	64.2	11.5	3.1	78.8	18.4
Gloucester	3,697.2	2,071.2	247.9	1,873.9	435.7	251.3	2,560.9	187.5
Hudson	.....	.....	.....	.....	.....	.....	.....	.....
Hunterdon	7,531.6	4,056.2	403.5	3,878.9	3,259.7	159.2	7,297.8	1,824.4
Mercer	2,366.2	1,275.0	149.6	1,240.8	482.4	72.1	1,795.2	206.4
Middlesex	3,863.4	2,666.6	249.5	1,446.3	579.1	298.6	2,324.0	285.4
Monmouth	5,025.3	3,102.1	335.5	2,258.7	990.4	273.9	3,523.0	818.7
Morris	1,446.5	835.1	68.0	679.4	542.9	42.2	1,264.5	152.3
Ocean	1,395.8	895.0	95.9	596.6	438.6	48.8	1,084.1	264.2
Passaic	156.4	96.8	8.5	68.1	19.8	2.7	90.6	20.1
Salem	5,158.8	2,844.0	354.0	2,668.7	1,877.2	112.3	4,658.1	336.6
Somerset	2,994.6	1,724.9	163.7	1,433.3	1,330.2	81.9	2,845.4	355.7
Sussex	3,577.3	2,014.2	135.0	1,698.1	2,809.7	31.1	4,538.9	1,106.2
Union	170.1	116.6	17.5	71.0	34.3	20.8	126.2	15.8
Warren	4,972.3	2,653.8	189.8	2,508.3	2,943.1	65.1	5,516.5	1,349.3
Total	$57,589.4	$33,838.5	$3,434.4	$27,185.3	$19,231.3	$1,964.7	$48,381.2	$8,900.4

Difference in total due to rounding.

effect of the 25% and the "common level" adjustments cause farm taxable values to average 18.4% of the net value of taxable property.

Table 17 also shows that the adjusted net value of depreciable farm property (machinery and equipment) totals $27.2 million (47.2%) of property reported to have original cost totaling $57.6 million. The difference between original cost and adjusted net value of depreciable farm property includes depreciation allowances totaling $33.8 million (58.8%) offset in part by adjustments for the 20% minimum valuation totaling $3.4 million (6.0%). The difference between the adjusted net value of depreciable property ($27.2 million) and the total net value of all farm personal property reported ($48.4 million) represents $19.2 million reported value of livestock held for production and $2 million for farm inventories.

13. Apportionment of County Taxes

Chapter 51 provides for the equalization of business and farm personal property valuations (Section 19). In contrast to the past practice of simply adding assessed valuations of personal property to equalized valuations of real estate, county equalization tables prepared in 1965 under Chapter 51 include equalized valuations of personal property as well as real estate. Consistent with other provisions of Chapter 51, equalized valuations of taxable personal property are established at 25% of "fair value" (adjusted book value) for business inventories and all farm personal property and 65% of such value for other business personal property.

A direct effect of personal property equalization is a change in the basis for apportioning county taxes to local taxing districts within each county. The implication is an inter-district "shift" in county taxes to the advantage of local districts where personal property has, in past years, been assessed higher than the average prevailing within the county. In this respect, it is the relative change among districts, rather than the amount of change within districts, which causes the county tax "shift." Also changes in county tax apportionments attributable to changed personal property valuations may be modified by accompanying changes in real estate valuations and in the total amount of county tax.

For example, Table 18 shows a comparison of county taxes apportioned among Mercer County taxing districts in 1965 under Chapter 51 and in 1964 prior to implementation of Chapter 51.

Business and farm personal property valuations comprised 7.8% of all valuations used for county tax apportionment purposes in 1965 as

TABLE 18

COMPARATIVE DISTRIBUTION OF COUNTY TAXES AMONG MERCER COUNTY LOCAL TAXING DISTRICTS
Showing Distribution Based Upon Personal Property and Real Estate

Mercer County	1964 % Personal	1965 % Personal	1964 Personal	1964 Real Estate	1964 Total	1965 Personal	1965 Real Estate	1965 Total
E. Windsor Twp.	2.1%	7.4%	$4,942	$230,397	$235,339	$18,261	$228,508	$246,769
Ewing Twp.	4.7	11.6	46,727	947,468	994,195	136,416	1,039,586	1,176,003
Hamilton Twp.	3.9	7.2	78,877	1,943,605	2,022,482	155,492	2,004,114	2,159,605
Hightstown Boro.	3.2	8.1	3,600	108,896	112,496	11,016	124,979	135,994
Hopewell Boro.	3.4	8.0	2,225	63,219	65,444	6,050	69,571	75,621
Hopewell Twp.	3.3	4.5	12,537	367,384	379,921	18,803	399,039	417,842
Lawrence Twp.	2.9	7.3	19,120	640,175	659,295	51,990	660,201	712,190
Pennington Boro.	1.4	3.9	1,044	73,538	74,582	3,326	81,956	85,282
Princeton Boro.	1.9	4.1	9,453	488,072	497,525	22,695	530,842	553,537
Princeton Twp.	2.6	1.2	19,513	731,003	750,516	9,681	797,083	806,764
Washington Twp.	1.7	3.9	1,896	109,613	111,509	4,470	110,152	114,622
W. Windsor Twp.	3.0	10.0	11,575	374,268	385,843	34,693	312,240	346,934
City of Trenton	6.7	10.4	151,762	2,113,349	2,265,111	250,991	2,162,387	2,413,378
Total	4.2%	7.8%	$363,272	$8,190,985	$8,554,257	$723,884	$8,520,657	$9,244,541

Difference in totals due to rounding.

compared with 4.2% of the total in 1964. Notwithstanding, this county wide increase in relative position of personal property declined from 2.6% of the total in 1964 to 1.2% in 1965 in one local taxing district (Princeton Township). Although the total of all Mercer County taxes increased 8.1% from \$8.6 million in 1964 to \$9.2 million in 1965, taxes apportioned to Princeton Township, on the basis of personal property alone, decreased 50.4% from \$19,513 to \$9,681. Changes in real estate valuations, however, caused county taxes apportioned to Princeton Township on the basis of real estate to increase 9.0% from \$731,003 to \$797,083. The result was a net increase of 7.4% from \$750,516 in 1964 to \$806,764 in 1965.

In contrast, East Windsor Township was apportioned \$18,261 of county taxes on the basis of personal property in 1965 as compared with \$4,942 in 1964. During the same year, however, county taxes apportioned to East Windsor Township on the basis of real estate declined 0.8% from \$230,397 to \$228,508 in total county taxes apportioned.

Mercer County taxes apportioned to Trenton increased 6.5% from \$2.3 million in 1964 to \$2.4 million in 1965. This modest change in county tax apportioned to Trenton was the composite of an increase from \$151,762 to \$250,991 (65.4%) in tax apportionments resulting from personal property valuations and an increase from \$2,113,349 to \$2,162,387 (2.3%) in apportionments resulting from non-property valuations.

14. Apportionment of State School Aid

Under the foundation school program, state aid to local school districts is determined as the difference between "foundation program costs" and a "local share" representing 5 mills upon the equalized valuation of taxable property. State aid for capital outlay of local schools is also provided as the difference between basic program costs and a "local share" of 0.5 mills on equalized valuations of taxable property. Among other features of the school aid program, the only one that requires consideration in terms of the potential effect of changed personal property valuations is a "minimum aid" provision, applicable to the foundation program aid, under which no local district receives less than \$50 per pupil. There is no provision for "minimum aid" in the capital aid program.

Heretofore, calculation of the equalized valuation of taxable property upon which the local "fair share" is computed has included the assessed valuation of personal property. Assessed values (taxable value) of business and farm personal property in 1965 under Chapter 51 totaled \$1.6 billion as compared with assessed values totaling \$2.1 billion in 1964. Apportionment of school aid on the basis of assessed valuations of personal property in 1965 thus had the potential of increasing foundation school aid by \$3 million.

Substitution of equalized valuations of business and farm personal property for assessed values, now possible under Chapter 51, may affect the amount of state aid to local school districts by changing the base of the local "fair share." County Abstracts of Tax Ratables show equalized values of all business and farm personal property totaling \$2.5 billion in 1965 under Chapter 51 as compared with assessed values totaling \$2.1 billion in 1964. The aggregate 5 mill "local share" based upon personal property alone in all districts would total \$12.4 million in 1965 as compared with \$10.4 million in 1964. If all local districts receive state aid under the foundation program as contrasted with "minimum aid" at \$50 per pupil, this increase in local "fair share" would mean a decrease of \$2 million in state foundation aid to local school districts. There would also be a reduction of \$200,000 in the amount of capital aid to local districts if all districts participated in the state capital aid program.

These are large "ifs." More than ½ of all local school districts receive "minimum foundation aid" at \$50 per pupil. To the extent that they continued to receive "minimum aid," valuation changes effected by Chapter 51 would have no effect upon the amount of aid they received. In the same way a large number of local school districts do not qualify for capital aid because the 0.5 mill "local share" is more than enough to meet the capital program costs. This means that the aggregate effect of the changed valuations of personal property upon apportionments of state school aid could be determined realistically only from a calculation involving all local school districts.

Any ultimate modification of the personal property tax law which materially alters the amount of personalty ratables includible in the state school aid computation or which wholly removes such ratables from the computation, will, of course, require further legislative review of the state school aid base.

PART III

Chapter 51 and the Committee's Alternatives

Chapter 51 Findings

It is notable that after almost a century of general study, Chapter 51 has been the specific subject of intensive study for eight years leading to its adoption in 1960 and its first implementation in 1965. With all of this, the future of Chapter 51 remains in doubt and continued study and discussion is the order of the day.

In 1963 the Commission on State Tax Policy stated in its Tenth Report:

> "Change in the property tax has been achieved with the greatest of difficulty. Whatever the future course of Chapter 51, one thing is quite clear—the road to change in the property tax laws of New Jersey is a long and tedious one to travel. The recommendations for change, as made in the *Ninth Report* of the Commission have been on the road to implementation for four years and are still in a state of uncertainty."

The Report of the present committee has one advantage over those proposed by its predecessors. As contrasted with projections and estimates of what might occur under any change in personal property taxes in general and under Chapter 51 in particular, this Report is the first to rest upon actual results obtained under the new law during its first year of implementation. As a result, we know:

1. Under Chapter 51 (as amended), taxable values of personal property used in business constitute a smaller portion of all net valuations taxable (5.8% in 1965) than did assessed values of such property prior to Chapter 51 (8.6% in 1964).

   In the absence of dual tax rates, this means a "shift" in tax from personal property to other classes of taxable property.

2. Business inventories represent a smaller portion of the Chapter 51 personal property tax (24.8% in 1965) than they did of the personal property tax prior to Chapter 51 (43% in 1964).

   Reduced emphasis upon business inventories implies a corresponding reduction in "financial cost" of inventory tax exemption or replacement.

3. All local taxing districts are not affected alike by Chapter 51—as evidenced by "dual tax rates" in 464 districts and general tax rates in 104 districts.

   This only documents repeated admonitions that no tax change can preserve all diverse local tax positions. To impose such a requirement is tantamount to rendering action impossible.

4. All business personal property taxpayers are not affected alike by Chapter 51 as evidenced by information returns tabulated in 1963 as well as by dual tax rates applicable in 1965.

This underscores repeated observations that no tax change can establish equality among taxpayers who are not treated equally and at the same time avoid any tax readjustments.

5. Transition under Chapter 51 from the assessors' traditional role as property appraiser has found few assessors' offices with facilities adequate to audit books of account with respect to personal property value and depreciation practices.

   Continued assessment of business personal property according to its "book value" suggests a re-examination of prior recommendations that such property should be State assessed.

6. Owners of personal property used in business are reluctant to file personal property tax returns with local assessors—as evidenced by estimated assessments filed by local assessors in the absence of personal property returns.

   The implication is that maximum compliance with any requirement for taxpayer returns will probably necessitate increased state supervision and control.

7. Book value assessment of business personal property classified as between inventories and other and the new requirement to equalize personal property as well as real estate creates large new problems of record keeping and reporting for local assessors.

   This emphasizes the need for improved data processing methods and procedures available to local assessors and to county boards of taxation.

The first two of these observations are statistical in nature and narrow in scope. They indicate tax results obtained from actual application of Chapter 51 as it presently exists. In this respect they substitute numerical fact for conjecture as a basis for reconciliation to the law, or for amending the law in a manner to change its overall impact. The utility of such summary information is limited to these purposes and it supplies little or no guidance in answering larger questions relating to value judgments, tax policy or administrative feasibility.

For example, one of the implied objectives of Chapter 51, as originally adopted, was to establish a uniform method of taxing business personal property at a level consistent *in the aggregate* with taxes paid upon such property prior to its adoption. Information returns compiled in 1963 indicated that Chapter 51 as it then existed would have resulted in aggregate personal property taxable values approximately 11% greater than the assessed values of such property in that year. Since 1963, however, Chapter 51 was amended by the Legislature (Chapter 141, Laws of 1964) to reduce the taxable value of personal property other than inventory and farm property from the "common level" to 65% of the "common level." Although concurrent legislation (c. 140, L. 1964) restored a 20% minimum valuation for property depreciated below 20% or fully depreciated which was not present in the law as it stood in 1963, this upward revision was vastly overshadowed by the reduction in percentage of "common level" at which depreciable property is taxable.

Taxable values of non-farm depreciable property for 1965 under the 65% of common level provision total $1,191.6 million as compared with approximately $1,154.9 million for non-inventory personal property in 1964. Restoration of the provision that such property should be taxed at 100% of the "common level" instead of 65% would increase these taxable values by $620 million. Such an adjustment would cause the total taxable value of non-farm personal property (inventory and depreciable property) used in business for 1965 to become $2,193.5 million as compared with $2,051.1 million in 1964.

The third and fourth observations are also essentially statistical in nature and narrow in scope. Just as the first two observations concern the position of business tangible personal property within the general property tax, and of classes of personal property within the total, these two concern the position of each taxing district and each taxpayer within the overall State picture. These observations are also useful to show the numerical effect of any decision made; but, they provide little guidance in determining what that decision should be. They do demonstrate quite clearly that any solution will require some reconciliation of taxing districts and taxpayers to changed positions and provide advance information to assist in the preparation for such changes. In short, the tabulations can document the financial effect of whatever policy is adopted but they cannot, of and by themselves, determine the policy to be followed.

The last three observations concern tax administration. Unlike their statistical counterparts, they rest in large measure upon personal observation and experience. Because they are the products of observation, and are administrative in character, recommendations they may suggest are not susceptible to statistical verification or denial.

Four Possible Approaches

The Committee, after a consideration of the Chapter 51 findings, concluded that it could adopt any one of four possible approaches to Chapter 51.

First, the Committee could recommend that Chapter 51 be repealed. This approach was rejected by the Committee because it did not believe that such a move would represent an affirmative step for either our taxpayers or our municipalities.

We assume that those who support the repeal of Chapter 51 do not mean the simple elimination of the tax on personal property. Such a position would mean the approximately $120 million in revenue now raised from personal property would be lost obliging the owners of real property to make up this difference. While some members of the business community might favor such a result, most businessmen have neither suggested nor do they expect such a result. In addition, the Committee agreed that the necessity for Chapter 51 reform should not be used to cloak a reduction in business taxes generally.

Presumably, therefore, most proponents of repeal are advocating a return to the status quo that existed before Chapter 51. No matter how enticing such a thought may be to some, the Committee does not deem it a realistic possibility. The State's business taxpayers now file returns setting forth the value of their property. Thus, the valuation figures which were in use prior to Chapter 51 no longer have any validity and would be replaced in large part by the information received as a result of the Chapter 51 filings. If these valuations were to be subject to general tax rate of municipalities there would be a substantial increase in the tax burden of businesses throughout the State. Business would find itself paying a much greater amount than it ever did before Chapter 51. While some municipalities might favor this result, again most municipalities have neither suggested nor do they expect such a windfall. In addition, just as the Committee agreed that business should not reap a windfall from a revision of Chapter 51, so did the Committee agree that the business community should not incur a greater tax burden as a result of such a revision. We believe this position would be shared by most informed observers of this tax problem—including public officials as well as businessmen. For example, much of the resistance to Chapter 51 has come from the smaller businessmen who feel with some justification that they are being taxed too heavily under the new law. Many public officials have criticized Chapter 51 in recognition of this burden on small business. It seems fair, therefore, to conclude that a repeal of Chapter 51 and a return to pre-Chapter 51 tax methods, could not in and of itself remedy the present unsatisfactory situation.

Second, the Committee could recommend that Chapter 51 be allowed to continue without change. The Committee has also rejected this approach. The temporary duration of the dual tax legislation, among other reasons, makes such an approach unrealistic. If Chapter 51 is to be retained, it is doubtful that it could be left unchanged since this would mean that roughly $40 million now raised from business personal property would be shifted to the owners of real property. No serious consideration, therefore, was given to this alternative by the Committee.

Third, the Committee could recommend that Chapter 51 be retained but that it be amended in such a manner as to overcome its more objectionable features.

The Comimttee has not recommended this approach. If, however, the replacement revenue approach, which is discussed hereafter, is not acceptable, quite likely that will be the most feasible alternative to consider. If amendments are to be considered, the areas most susceptible to amendment in this respect include: (1) the taxable or exempt status of different categories of business inventory, such as raw materials, work in process, etc., and (2) the percentages of common level at which different classes of personal property are taxable. A third area of possible amendment is one suggested by the Commission on State Tax Policy to substitute a standard, measured by a uniform percentage (50%) of the original cost of depreciable property, for the depreciated value of such property as reported in the books of the taxpayer. There is some precedent for this latter type of amendment as is evidenced by the recent reduction in taxable value for non-farm depreciable property from the "common level" to 65% of the "common level" and, also, the restoration of a 20% of original cost minimum "fair value" for all depreciable property.

Fourth, the Committee could recommend that all or part of the personal property used in business be exempted from local taxation and that the revenue previously derived from this source be replaced from other tax sources.

After consideration of the other alternatives, the Committee concluded that this approach was to be preferred.

Exemption of All Personal Property Used in Business

Many businessmen in New Jersey, throughout the prolonged personal property tax deliberations, have tended to look wistfully upon our neighboring states of New York, Pennsylvania and Delaware which do not tax personal property. Nevertheless, from a business standpoint, the elimination of the personal property tax has appeared to be a goal beyond attainment. This has been based upon the general assumption that New Jersey has traveled so far down the personal property tax path that it has reached the point of no return. Heavy dependence of local governments upon personal property taxes for more than $100 million of annual revenue has seemed to impose personal property tax replacement problems too large and too complex to resolve.

The Committee, however, was encouraged by the experiences and practices of some other states. For example, the urge to eliminate all personal property taxes is not limited to New Jersey. A Maryland Commission on State and County Finance, reported in January 1965 as follows:

> "The Taxation of personal property accounts for more inequities than all other forms of taxes combined. Virtually all tax commissions have come upon the problem and have found it to be frustrating. 'Idiotic,' 'chaotic,' 'illogical' are typical of the descriptive terms found in their reports . . . .
>
> "We have concluded, as have earlier Commissions, that the taxation of personal property makes no sense and that it should be discontinued. We believe this goal can now be achieved."

The Maryland Commission recommended complete elimination of all personal property from local property taxation in that State as part of a comprehensive recasting of its State and local tax structure. Without developing all of these recommendations in detail, its recommendation involved increasing business non-property taxes by approximately 50% of the amount of personal property taxes to be eliminated. The Commission anticipated that the remaining 50% of personal property replacement revenue would be derived from sources other than business taxes.

Similar encouragement was derived from an objective comparison of business tax provisions in New Jersey and its neighboring states. For example, corporation net income taxes apply in neighboring states at the following rates: Delaware, 5%, New York, 5.5% and Pennsylvania, 6% as compared with the 1.75% rate in New Jersey. This comparison of corporation income tax rates is conditioned by the companion tax at 2 mills upon net worth in New Jersey (lower rates in excess of $100 million). Pennsylvania corporations pay a similar tax upon net worth at 5 mills with a provision, however, that manufacturing and research corporations are not subject to this supplemental tax. Delaware applies a capital stock (franchise) tax and New York provides a tax measured by invested capital as a minimum tax alternative to its corporation income tax. The implication is that these neighboring states have found higher corporation taxes to be preferable to the personal property taxes levied by New Jersey.

These examples and others suggested to the Committee that complete replacement of all personal property taxes might not be as impractical as has been generally assumed.

The Committee, therefore, undertook to determine whether it would be practicable to replace the entire personal property tax now imposed on business by a series of tax measures which would raise from the business community itself a similar amount for reallocation to our municipalities. The Committee's findings and recommendations are set forth in Part IV of this Report.

PART IV

RECOMMENDATIONS

The Governor's Committee on Local Property Taxation has concluded that it would be in the best interests of both our taxpayers and our municipalities to eliminate the present system of taxing business personal property. The present system has led to a type of taxation which is particularly onerous to many businessmen because a property tax bears little relationship to a business's capacity to pay. In addition, the tax has been a deterrent to business growth and activity because its application and its computation has been unpredictable in many cases. The businessman often does not know what his community will require from him by way of taxes in any given year and this uncertainty, in many respects, is even worse than the magnitude of the tax burden itself.

From a municipal standpoint, the business personal property tax has, in many instances, become a device for competing for the location or relocation of businesses within our municipalities. This has often worked to the detriment of the older, more established municipalities but it has also created an undesirable situation in newly-developing areas because the tax benefits and privileges extended were not based upon proper interpretations of the law or sound tax practices. Indeed, this very erratic method in approaching the taxation of business personal property was responsible for much of the chaotic results that occurred when Chapter 51 imposed a uniform system for reporting and assessing personal property.

In reaching this conclusion, the Committee was guided by the following criteria:

Equity—It is a rare tax proposal which does not claim the virtue of equity. But such claims usually rest upon the uncertain foundation of inadequate definitions of equity itself. In this sense the Committee believes that an equitable solution to the "personal property tax problem" requires (1) that business must pay its "fair share" of state and local taxation and (2) that business taxes must be applied in a manner to render them as sterile as possible of selective treatment or tax discrimination as among classes of business or as among single businesses within any class.

Economic comparability—No state can operate as a business tax island. The competitive tax position of the state can be preserved only so long as business can export its tax costs together with all of its other costs as it reaches into out-of-state markets. This means that the over-all tax load placed upon business within New Jersey cannot be notably higher than the tax load imposed upon similar businesses operating in neighboring states and in competition for the same markets.

Administrative feasibility—Any realistic tax program must be capable of ready administration with a minimum of cost and confusion for taxpayer and tax administrator alike.

Measured against these guidelines, the present method of taxing business personal property can be seen to be totally unsatisfactory. Certainly no one could argue that the present property tax raises revenue from the business community in an equitable manner. From a competitive standpoint, it is highly undesirable since neither New York nor Pennsylvania imposes a similar measure. And, the administrative shortcomings of this measure are readily apparent to all. Accordingly, the Committee has determined to recommend the elimination of the present local business personal property tax and its replacement by a program of alternative measures capable of raising comparable revenue.

Objectives

The program developed by the Committee resulted after a thorough consideration of many alternative tax measures. Indeed, the Governor's Committee reviewed every alternative it could conceive of, including most of the tax measures employed in the states surrounding New Jersey as well as measures now operating in more remote areas. Before reaching any conclusions as to alternative tax programs, the Committee agreed upon certain basic assumptions upon which their further deliberations were predicated. These assumptions were:

1. Business personal property tax replacement revenues must be provided primarily from taxes paid by business.
2. Replacement taxes collected from business must yield approximately the same amount of revenue as is presently collected by local taxing districts from business personal property.
3. The replacement tax source must be capable of expanding or contracting as the economy of the State expands or contracts—and thus constitute a realistic tax source for the support of local government under changing circumstances.
4. Personal property replacement revenues must be distributed among local taxing jurisdictions according to a reasonable formula which will recognize changing circumstances in our municipalities.
5. Every effort should be made to avoid having any municipality receive less money from replacement sources than was received from business personal property taxes in 1965. This would require a save harmless provision or increases in the State aid programs generally.
6. The business community should not be responsible for any additional amounts required to operate the save harmless aspect of this program but such amounts should be raised from general revenue sources. Business's

responsibility should be limited to raising, by way of replacement taxes, only an amount equal to the amount now raised by personal property taxes.

7. The replacement tax program should grant greater stability to the tax structure and should attempt, insofar as possible, to provide some measure of relief to the smaller business concerns.

The program which the Committee is recommending would appear to satisfy the criteria to which we referred earlier, as well as the above-stated assumptions.

Recommendations

As has been indicated earlier in this report, the local business personal property tax is now raising approximately $119 million throughout the State. This figure includes the $22 million which is being derived from the taxation of personal property owned by telephone and telegraph companies. The telephone and telegraph companies have suggested that the taxation of their personal property remain on a local basis. Considering the special nature of these companies, this appears to be a desirable suggestion. The amount raised from this source, therefore, has not been involved in our discussion of replacement revenues. As a result, an alternative tax program would have to raise approximately $97 million to replace the personal property tax. The following replacement tax program has been structured so that it will develop that amount of money:

1. *Corporations* Increase the corporation net income tax rate from 1.75% to 3%—corporations pay net income tax in addition to net worth tax as at present.	$26 million
2. *Personal Property* Tax machinery and equipment used in business at 1.3% on 50% of the original cost of such property and levy the tax on a State-wide basis.	28.5 million
3. *Turn-over Tax* Tax merchants and branch stores at $5.00 plus ⅕ of 1% of purchases for resale in excess of $5,000.00.	33 million
4. *Unincorporated Business* Tax unincorporated business at 1/10 of 1% upon gross income i.e., $1 per $1,000 $10 per $10,000 $100 per $100,000 $1,000 per $1,000,000	10 million
	$97.5 million

Analysis of Taxes Selected

The program recommended by the Committee is one which we believe balances the equities between the various aspects of the business community and which gives proper recognition to the current tax status of businesses as well as what their status would be under the new proposal. The following analysis is intended to explain the reasons why the Committee chose the particular replacement program it has recommended.

1. *An Increase in the Corporate Net Income Tax*

The entire Committee agreed that some part of the replacement revenue must be raised through an increase in the corporate net income tax. Not only is this the one major business tax now in operation on the State level, but it is also the tax most directly related to business's capacity to pay. The Committee, however, rejected suggestions that most of the replacement revenue come from this source. The tax which is being replaced is a property tax. If it were replaced primarily by an income measure, this could result in a substantial shift in the tax liability of many businesses in the State. In addition, the Committee felt that every effort should be made to keep New Jersey's corporate net income tax rate below that of our neighboring states in an effort to retain New Jersey's attractiveness to high profit industries. We concluded that a proper balance could be achieved by raising approximately ¼ of replacement revenue from this source. It results in a meaningful participation by our high income industries without giving an undue emphasis to this one source.

It was suggested during Committee deliberations that it might be desirable to eliminate the present net worth tax on corporations which is now levied in addition to the corporate net income tax. The Committee had no objection to this suggestion. It would mean that the tax rate on net income would have to be increased by approximately 2%. If this change is acceptable to the business community generally, it might be an appropriate move at this time. The Committee concluded, however, that it should not take a position on this suggestion but should leave such refinements to the consideration of the Legislature.

2. *New State Levied Taxes on Property and Purchases*

The reasoning that led the Committee to its conclusions about the limited increase in the corporate net income tax also made necessary some type of property tax approach. The particular ones recommended by the Committee we believe represent substantial improvements over the present personal property tax.

there is available to most of them the alternative of incorporation which would remove such business from this tax and subject them to the corporate net income tax.

Additional Observations About the Replacement Proposal

In the preceding discussion, the Committee has attempted to point out the advantages of the replacement program suggested. In summary, we feel this program would provide New Jersey with a modern, efficient method of raising revenue from business and that it would raise such revenue much more equitably than does the local business personal property tax. Although the program will not reduce the tax burden for the business community, it will bring greater certainty as to the tax burden on individual businesses. It will present a more attractive tax picture to those businesses and industries which are now considering locating in this general area of the country and it will hopefully achieve this result without causing the disruptive changes in tax liability that occurred when Chapter 51 went into effect.

The Committee feels also that its proposal is particularly fair in its application to smaller businesses. For example, an unincorporated business doing gross receipts of $100,000 annually based upon $55,000 worth of purchases and having $6,000 in fixtures and equipment would be subject to a total tax of $244 computed as follows:

(a) unincorporated business tax ($\frac{1}{10}$ of 1% of $100,000)	$100.00
(b) turnover tax ($5 plus $\frac{1}{5}$ of 1% of $50,000)	$105.00
(c) tax on machinery and equipment (1.3% on 50% of original cost)	$39.00
Total	$244.00

While in some communities this amount of tax will represent an increase, in most communities it should represent a significant decrease. In any event, a tax of $244 on a business grossing $100,000 does not seem to be out of line under current conditions.

The Problem of Redistribution of Revenues

The replacement tax program recommended by the Committee suggests that the replacement revenue should be raised on a State-wide basis. This means that the revenue produced must be returned to our municipalities by means of some formula.

The Committee has given this aspect of the problem less attention than it has devoted to the question of replacement taxes. In many legislative session if the State is to avoid the "time bomb" effect to which the Governor has referred. We would hope that this report will be a useful tool for those who will have the responsibility of acting to meet this problem.

New Jersey is presented with a unique opportunity to consider realistically the elimination of the personal property tax—a tax which everyone seemingly agrees is undesirable. The necessity for action is there. And, the problem will never be easier to solve. If a solution is to be reached at this time, we hope that our efforts will have made that solution a more likely possibility.