

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

before

SENATE REVENUE, FINANCE AND APPROPRIATIONS COMMITTEE
and
ASSEMBLY TAXATION COMMITTEE

on

GOVERNOR'S "TAX REFORM" PACKAGE

Held:

June 24, 1974

Assembly Chamber

State House

Trenton, New Jersey

MEMBERS OF SENATE COMMITTEE PRESENT:

Senator Joseph P. Merlino (Chairman)
Senator John F. Russo
Senator Eugene J. Bedell
Senator Bernard J. Dwyer
Senator Anne C. Martindell
Senator Stephen B. Wiley

MEMBERS OF ASSEMBLY COMMITTEE PRESENT:

Assemblyman Steven P. Perskie (Chairman)
Assemblyman Willie B. Brown
Assemblyman Paul Contillo
Assemblyman Francis J. Gorman
Assemblyman Gordon A. MacInnes
Assemblyman John A. Sweeney
Assemblyman Joseph W. Chinnici
Assemblyman Walter E. Foran

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SENATOR JOSEPH P. MERLINO: We will call the meeting to order. This is the fourth in a series of Statewide public hearings conducted by the Assembly Taxation Committee, which is chaired by Assemblyman Perskie who hopefully is making his way to the Chair, and by the Senate Committee on Revenue, Finance and Appropriations. It's really amazing how the banging of the gavel brings the Chairman running.

We have a series of instructions to announce first and I will turn the meeting over to Assemblyman Perskie.

ASSEMBLYMAN STEVEN P. PERSKIE: Senator, I am very grateful for your summoning me in a most expeditious fashion, as you did.

I will not take the time to introduce the members of the Committee, most of whom presently have their names in front of them, except to indicate that it's a great pleasure for me, at least, to see the attendance at the hearing this afternoon and I express my gratitude to everyone who has come.

There are a number of Senators and members of the Committee that aren't seated at the table. I see Senator Dwyer who has full jurisdiction as a member of the Committee, as well as Senator Wiley, who is behind me, and Senator Russo. Oh, and also Senator Bedell.

Before we start, we have an extensive list of witnesses who wish to be heard, and I want to give the assurance that everyone that wants to be heard shall be heard, consistent obviously with our limitations as to time, but we will do the very best we can to allow everybody as much time as he or she may want. However, I would ask that those who have written statements to supply us with a copy of the written statement and summarize the statement

orally rather than read the entire thing into the record. We will leave it to your judgment to determine the highlights of your testimony and would ask you to cooperate with us in this regard.

For those who have oral statements exclusively, again we would request that you, in effect, summarize them and give us the high points of the positions you wish us to consider.

Anyone who chooses to testify and who hasn't so stated should please see our Committee Aide, Pete McHugh, who is standing now immediately to my right and in front of me, and he will see to it that you are scheduled to speak.

The hearing is scheduled until 5 o'clock this afternoon. We will probably run to approximately that time or a few minutes thereafter, and reconvene at 7 o'clock this evening, and continue until 10 o'clock, but I want to assure you we will hear everyone who wishes to be heard.

Now, briefly, before we hear our first witness, I have one announcement with respect to the actions taken this morning by the Assembly Taxation Committee.

The Committee considered this morning the question of proposed constitutional amendments that have been suggested to facilitate the enactment of various proposals that have come forth, including those from the Administration, as well as others. And, in line with our policy in the Committee of allowing maximum consideration for all proposals, and in keeping with the mandates of the State Constitution which require a certain procedural process to be fulfilled in the consideration of constitutional amendments, the Committee today released one bill, that being an Assembly Committee Substitute for three proposals, those being Assembly Concurrent Resolutions 175, 177

and 178. The reason for the joinder of those three proposals into one question was the feeling by this Committee that, number one, the questions all dealt with the same section of the Constitution and, therefore, were properly considerable together, and, number two, that the best interest of the people of the State and the public debate would be met, rather than proposing three separate questions on basically the same area, if these questions were combined into one.

The content of the Assembly Committee Substitute thus deals with the following subject matters, all of which were contained in the three bills for which it is a substitute:

The so-called circuit breaker or guaranteed property tax limitation, the availability of that property tax limitation both to senior citizens and to those totally disabled, and the permissive authority to grant to municipalities the right to enact ordinances concerning tax abatement of local property taxes.

All of those proposals are now contained in the Assembly Committee Substitute for Assembly Concurrent Resolutions 175, 177 and 178 which has been distributed on the desks of the Assemblymen today and will be distributed on the desks of the Senators when they next return into session, whenever that is. And during the 20 day period following that date, a public hearing will be held on the same proposal.

The remaining Constitutional Amendment of the Administration's program, Assembly Concurrent Resolution 176, dealing with the proposed cap on local property tax expenditures remains in the Taxation Committee for further study. It will be released either in its present form or with some amendments probably by next week.

ASSEMBLYMAN CHINNICI: May I make a statement on that?

ASSEMBLYMAN PERSKIE: Yes.

ASSEMBLYMAN CHINNICI: Very briefly stated, on the amendment that we passed this morning, it takes care of the senior citizens, 65 years or more, or any citizen below 65 who is permanently and totally disabled.

ASSEMBLYMAN PERSKIE: That's correct.

ASSEMBLYMAN CHINNICI: Now my thought was - and I'm sorry I was late this morning or I probably would have brought it up this morning -- my thought is, what happens to the senior citizen who is, for example, 68 years of age and who is entitled to the exemption and is deceased and leaves a wife of 61? Does this tax break - is it passed on to her or is it dropped as of the date of his death?

ASSEMBLYMAN PERSKIE: My reading of the Constitutional Amendment, which of course does not cover the enabling legislation, is that the senior citizen, the owner of the property, would have to be the age of 65 in order to be eligible.

ASSEMBLYMAN CHINNICI: In other words, if the male senior citizen over 65 should pass away, then his spouse, under 62, say 61 years of age, would not be entitled to the break.

ASSEMBLYMAN PERSKIE: That's correct.

ASSEMBLYMAN CHINNICI: I would like to recommend that we do something about that before we finalize it.

ASSEMBLYMAN PERSKIE: If you bring it up at the next Committee meeting, I am sure it will be carefully considered.

ASSEMBLYMAN CHINNICI: Thank you very much.

ASSEMBLYMAN PERSKIE: The first witness this afternoon will be the Honorable Richard Leone, Treasurer of the State of New Jersey. Mr. Leone.

R I C H A R D C. L E O N E: Thank you, Assemblyman Perskie and members of the Committee. I appreciate the opportunity to appear.

I have a short statement which I am only going to summarize and I want to digress from it to touch on a couple of points which I think are of importance today.

I do want to commend this Committee, which is working hard, and contrast its activities with some of the disappointments we're having. I think there's a tendency for people to want to bury their heads in the sand and hope that this problem will go away. We have to deal with the reality that there will be a shift of tax resources from the local tax base to the State tax base and this Committee has taken that on. Whatever the alternative is, there will be that shift, and I want to commend you for working so hard.

ASSEMBLYMAN PERSKIE: Thank you. Sometimes it has a tendency to be forgotten and it's nice to hear.

MR. LEONE: We believe that the case for Governor Bryne's proposal proceeds on several fronts. The income tax proposal with a property tax rebate gives constitutional protection to people, a permanent personal limit on the amount of property tax that they will ever have to pay. And we also have a minimum tax, as you know, which penetrates the tax shelters which have been so abused by people both great and not so great in this Country.

Our tax proposals are more progressive, more elastic, and more widely borne than any other state tax. We think it's the fairest way to shift this burden. In other words, we're taking the necessity to shift from a local base to a state base, and we're trying to turn it into an opportunity to have tax reform and to introduce a new element of fairness and equity into the State tax system.

I would like to take a minute to talk a bit about the major alternative to this proposal which is to shift that burden by means of a statewide property tax.

It's our belief that among the things that present problems with that proposal is the fact that its adherents argue that the rate would not have to be raised and that the rate would raise all the money needed for schools.

Our calculations raise two questions about that. The first is that at least one of the proposals seems to be short by several hundreds of millions of dollars of meeting the present school budget of the State of New Jersey. And we will have an analysis available on that in the near future. It suggests, in fact, that by next year, in addition to the statewide property tax levy, the average municipality would have to reintroduce a local property tax of about 75¢.

Now I think that problem points up one of the more general problems with this approach. Advocates of it have taken the three best years of property tax growth and said, you won't have to raise the rates because our revenue source grows by about 12% a year. That didn't happen last year. And, in fact, if you look at the last five or ten years, that's not a typical occurrence.

In addition, they fail to point out one fact about that. While the rates don't go up, the assessments do. And they are assuming that people will continue to pay more and more and since the rates don't go up they won't realize that they're being charged more.

To give you an example, a family with a \$30,000 house, take a \$1.50 example, would pay \$450 the first year; after five years the assumption is that that average assessment would be up to \$47,200 and that family would

be paying \$708 property tax.

Now our argument is very simple. On the one hand, we believe it is likely that the rates will have to go up and, on the other hand, even if the rates do not go up, it seems to us very clear that the amount of property tax a person is paying is going to increase. And our whole program is built around a very simple idea in terms of its financial premises, that property tax is a bad tax. If we have to collect money to pay for the schools, we should seek a fairer way to do it. We ought to protect people on fixed incomes and we ought to protect them against increases in their property tax.

I was going to comment at some length on the economic problems and the problems in terms of the business costs in the proposed classification schemes but I understand that Dr. Freund is going to testify in a little while, Chairman of the Economic Policy Council, and his statement is much more complete in that area than mine would have been and I will refer you to him. There are problems and we think serious ones. We think we avoid most of them with our own business stabilization tax.

Now I want to close by expressing my confidence that this Legislature will consider, improve upon and finally enact the Governor's education and tax reform proposals. A great majority of the members have rejected the temptation to sit on the sidelines and have indicated their intention to work toward an equitable solution to the school tax crisis. It is not, as the members of this Committee know especially well, an easy assignment, but it is morally and constitutionally compelling and it is worthy of the best efforts of us all.

I would like to say something about the reporting

today of the Constitutional Amendments because it seems to me that those who are arguing for delay are perhaps guilty of a cruel hoax upon the public. Any of us who have looked at any of the programs know that the real protections for people, the things like the circuit breaker or the property tax rebate or the limit on the growth of property tax or the senior citizen exemptions - I could go on and on - require constitutional amendments, and the more delay we have the less likely it is that those protections will be built into a program. I can foresee the possibility of a program passing which involves refinancing schools with the constitutional guarantees put off for a year. That would be, it seems to me, a disaster, and that would lead the people to rightly believe that our promises that we are doing something different this year, that we are going to build in guarantees, were only typical political rhetoric.

So I again commend you for your action and I would hope that it stimulates Legislators in general to realize we are working against a deadline, not only a court deadline in terms of any solution but a constitutional deadline in terms of a solution which includes guarantees for the people of New Jersey.

I would be glad to answer any questions. Thank you very much.

ASSEMBLYMAN PERSKIE: Thank you very much, Mr. Leone.

Do any of the members of the committee have any questions? I think it might be easiest if we adopted the procedure, for this session at least, of alternating from left to right, and right to left with respect to members of the Committee. I will start left to right because I'm looking that way and ask Senator Bedell - I'm sorry, I see also Senator Martindell is here. Do you have any questions, Senator?

SENATOR MARTINDELL: ~~Yes~~ Mr. Leone, it has been well documented that the property tax places an extreme burden on the middle-income taxpayer. In your opinion, would these other proposals of my colleagues, Senator Bedell and Senator Russo, shift the tax burden as well as the plan that you have?

MR. LEONE: No, they would not. I think that even the proponents of a statewide property tax recognize and admit that the problem with the property tax is that it takes a larger percentage of low- and middle-income people's total income than it does of higher-income groups.

Governor Cahill has pointed that out and it has been pointed out by people everywhere. And I think they would also have to admit that the elasticity, that is the growth rate of the property tax, if you hold increases in assessment and increases in rates constant, is much less than 1; whereas the growth rate of all of our expenditures, including school expenditures, is larger than 1. So that not only are you taking a larger percentage from the lower-income groups but you're building that into the system over time because the only way you can keep up with inflation - and it seems to have become a fact of life for us, even the Republicans can't solve it, I'm told, - is to have growth in assessments or changes in rates. I think that is the heart of the difference. No one likes an income tax for its own sake. We simply think that of the ways to tax, none of which is popular, it is the fairest.

ASSEMBLYMAN PERSKIE: Mr. Contillo?

ASSEMBLYMAN CONTILLO: No.

ASSEMBLYMAN PERSKIE: Mr. Sweeney?

ASSEMBLYMAN SWEENEY: I have no questions.

ASSEMBLYMAN PERSKIE: Does anyone have any questions?

I see Assemblyman Foran is here, who is a member of this Committee.

Mr. Brown, do you have a question?

ASSEMBLYMAN BROWN: Yes. I would like to know what position does the Administration have on a reduction of the sales tax or elimination of the sales tax.

MR. LEONE: We believe that the sales tax again is a relatively regressive tax, not as bad as the property tax. I should tell you that my own preference - let me make two comments. My own preference would be to take every dollar we can raise from a new tax and take it out of the property tax. I think that's a lousy, unfair tax. However, it would clearly be possible to adopt our program in ways which would enable you to reduce the sales tax by a penny or two. That's a judgment. It's a popular, visible thing to do. On the other hand, it's not as regressive or as unfair a tax as the property tax. We could do it.

ASSEMBLYMAN BROWN: Thank you.

ASSEMBLYMAN PERSKIE: If there are no other questions from the Committee, Mr. Leone, thank you very much. We appreciate your taking the time.

The next witness will be Dr. Freund who represents the Governor's Economic Policy Council. Doctor, it's nice to have you here today.

If you have a written statement, we would be pleased to see to it that the exact content is entered into the record.

While I'm at it, I would request the staff to be sure that Mr. Leone's statement, as all written statements, is included in the transcript of the proceedings.

W I L L I A M. C. F R E U N D: Thank you, Mr. Chairman and members of the Committee. I believe my statement will take no more than ten minutes.

I am Dr. William C. Freund, a member of the Economic Policy Council of the State of New Jersey, a resident of Millington, New Jersey, and a professional economist. I am also Vice President and Chief Economist at the New York Stock Exchange, although I should point out that I am testifying solely in my capacity as a member of the Economic Policy Council. With me today is Mr. Peter Bearse, our resident economist in the Trenton Office of Economic Policy.

The Economic Policy Council was created by an act of the New Jersey legislature in 1966. Since that time, the Council has functioned as a completely non-political, independent, professional agency, advising the Governor as well as the Treasurer and other cabinet officials on economic problems confronting the State. My two colleagues on the Council are Professor William Baumol of Princeton and New York Universities, and Professor Emeritus Lester Chandler of Princeton. Although they could not join me today, they are in full support of a statewide income tax.

I should like to highlight three major economic reasons for my views in favor of enactment of a State income tax.

First, along with most economists, I believe that an income tax, related as it is to ability to pay, is the fairest and most efficient tax.

Second, I have the strong conviction that future financial problems facing the State of New Jersey in an environment of substantial inflation have not yet been fully recognized and need to be carefully considered in the formulation of policy.

Third, the State of New Jersey has had a serious unemployment problem in recent years and, it seems to me, this problem is very likely to intensify. Alternative tax proposals could well exacerbate the problem of promoting economic growth and stimulating employment in the State.

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One of the principles of sound taxation is that a tax be related to ability to pay. Obviously, some types of taxation reflect this principle better than others. Income, after deductions and exemptions, constitutes the best measure of ability to pay. The property tax, for example, is a less satisfactory index of paying ability for several reasons. Low income groups tend to spend a higher proportion of their income for necessities such as housing than middle and upper income families. Moreover, since tastes vary, some taxpayers will spend a higher proportion of income for housing while others will forego that possibility in favor of autos and other consumer outlays. Thus, the property tax is really a tariff on one type of asset or expenditure with only an indirect link to income. In addition, large families, which require relatively large housing units, tend to be penalized by the property tax since their tax bills reflect the size of their property irrespective of the size of their income. An income tax can adjust for the number of dependents in a household.

It has been argued that property taxes are fair because they are levied on people who can afford, in the first place, to have property -- and not on those who cannot afford to hold property.

I will leave aside the obvious fact that property taxes also impact on renters. But the argument that property taxes are based on the financial ability to own property fails to recognize the inherent inequities in the effect of property taxes on various propertyholders. Further, it ignores the more important fact that a properly structured income tax provides for the most equitable distribution of the tax burden among those who can afford to pay the most and those who can afford to pay the least, with appropriate adjustments for everyone in-between.

I will come back to the property tax as it relates to business very shortly. At this point, however, I would emphasize one further anomaly of the property tax on business, namely that it is levied irrespective of the size of a firm's profit rate. It is even levied on those businesses which sustain a loss. Clearly, a property tax does not relate well to the ability-to-pay concept either for individuals or businesses.

But the major point I want to stress is the importance of enacting a tax which promises to keep pace with inflation. It does not require a prophet to predict that in the absence of a tax which keeps in reasonable step with mounting inflation, the State legislature will be confronted with a continuous and perhaps losing battle to adjust existing taxes and to enact new taxes year after year to meet emerging budgetary deficits.

Our nation has been experiencing double-digit inflation for some time. For example, the consumer price index rose at an annual rate of 13.5% in December, 1973, 15.7% in January and 13.6% in February of this year. Even though some improvement in the

pace of price inflation seems in the offing, inflation seems certain to continue as a major national problem in the years ahead.

Whatever the intensity of the inflation problem at the national level, the problem promises to be more serious for our state and localities. A reasonable assumption is that inflation averaging 8% a year nationwide will push expenditures for existing state programs up by 12%. The explanation is simple.

Governments at the state and local level are engaged in providing services. All service industries typically suffer from above-average inflation because productivity gains are much harder to achieve in the service sectors than in manufacturing and other industries. If inflation is 8% nationwide, and if industrial productivity nationwide is rising by, say, 4%, chances are that inflation affecting state expenditures will be in the vicinity of 12%, unless state workers can match the nationwide industrial 4% improvement in output per manhour. In theory this may be possible, but in fact such improvement is hard to come by in a service industry, and we cannot count on it.

What this means is that if inflation for state purchases rises by, say, 12% per annum, state revenues must increase by the same percentage merely to finance the existing quantity and quality of state services -- to maintain the status quo. If revenues were to rise by only 8% or even 10%, a budgetary deficit would develop without any new state programs or any increase in the quantity or quality of state services.

That's the fundamental inflation problem which, I am sure, this legislature will be called upon to wrestle with in the future.

There is only one tax which responds adequately to inflation, as forty of our states have discovered, and that is the income tax. As personal incomes increase by 8%, income tax revenues typically increase by 12%. In the jargon of economists, the elasticity is 1.5. The income tax increases both with real growth in personal incomes and with simple price inflation. Since the elasticity of state expenditures is also about 1.5, the income tax provides the legislature with a means of keeping up with budgetary needs, automatically, without the struggle to impose higher tax rates on a regular basis or to search frequently for new sources of tax revenue. The elasticity of other taxes, such as property or sales taxes is 1.0 or less which, as I have indicated, will mean an automatic shortfall of state revenues in any future inflationary setting.

Finally, I should like to address the unemployment situation in our state, and the relevance of tax considerations to the problem. Without belaboring the statistics, unemployment in New Jersey has been extremely sticky and it has been trending up. When our national economy emerged from the recession of 1969-70, the unemployment picture brightened. The nationwide unemployment rate dropped from a peak of 6% late in 1970, to a low of 4.6% in September, 1973 and is now just a shade above the 5% mark. The State of New Jersey has not fared that well. Unemployment has held stubbornly near the 7% level throughout the recovery period since 1970 and today exceeds that rate by some margin.

I think it is a shocking fact that private employment in this state rose by only 7,300 jobs during the past year while public employment increased 25,000, and unemployment rose 50,000.

I believe that these circumstances recommend the desirability of initiating various business inducement programs in this state to encourage economic growth and employment opportunities. States contiguous to New Jersey have already acted and, in several ways, have managed to create specific inducements to attract business and to restrain the tax burden on domestic firms.

There are two ways to stimulate employment. One is through state and local government activity; the other, to create private employment opportunities. As a matter of State policy, our economic objective should be to rely on public employment only to the extent necessary to provide public services, and to stimulate private employment to the maximum extent.

In dealing with business taxes, we need to distinguish between business incentives and business windfalls. It is easy to be misled by semantics. In trying to avoid windfalls, we must be careful not to eliminate the incentives for locating businesses and jobs in the state and in the localities most in need of them. It is easy to fall into the trap of destroying incentives in the process of going after windfalls. One person's conception of a windfall may be another's conception of a needed incentive.

The Economic Policy Council is deeply concerned about the continuing lag of jobs in the state and we see no reason to expect a decline in unemployment. In fact, higher unemployment is probable as our labor force grows faster than new employment opportunities. It is for this reason that we even have some reservation about the Governor's proposals with regard to the business stabilization tax. Great care should be taken in embarking on the

road toward classified property taxes on real estate. There is a popular but erroneous notion that some abstract entity called "business" can bear taxes. Obviously, neither abstract entities nor "things" can bear taxes; only human beings can -- owners, employees, customers, suppliers, and so on. Discriminatory business taxes will not only eliminate windfalls but at the same time eradicate important incentives needed for the state's future economic health and the interests of its working population. I might add, in that connection, that other states with which we compete for industrial and commercial establishments and jobs have not merely sought to create a favorable business climate. They also have not hesitated to require residents and employees to pay state income taxes.

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To summarize, then, I urge enactment of a statewide income tax in order to achieve three important objectives: (1) a tax which is fair and efficient; (2) a tax which promises to respond to the state's budgetary needs in an inflationary environment in the years ahead; and (3) a tax which will encourage economic growth and employment opportunities.

ASSEMBLYMAN PERSKIE: Thank you very much, Doctor.
Are there any questions by the members of the
Committee?

SENATOR RUSSO: Yes, if I may.

ASSEMBLYMAN PERSKIE: Senator Russo.

SENATOR RUSSO: Thank you, Mr. Chairman.

Mr. Freund, is it your contention that the
present tax situation on industry in New Jersey is in
anyway contributory to the high unemployment rate in
New Jersey?

DR. FREUND: Yes. I think that is one factor
which has discouraged the location of industry in New
Jersey.

SENATOR RUSSO: Do you have any basis for that?

DR. FREUND: Yes. We have made a study at the
Economic Policy Council on the tax situation confronting
businesses in contiguous states and we believe we are
at a disadvantage.

SENATOR RUSSO: You say you have a study that
demonstrates New Jersey presently is at an economic
disadvantage with its surrounding states?

DR. FREUND: That is correct.

SENATOR RUSSO: I see. Will you make that
available to this Committee?

DR. FREUND: I will be happy to do so.

SENATOR RUSSO: You made a statement, Mr. Freund,
that the equalized property tax proposals that are
pending - and I'll speak now only on behalf of the one
that I presented with Assemblymen Doyle and Newman -
would exacerbate the unemployment problem. I guess
that's based, is it, on that same study?

DR. FREUND: No. That is based upon my individual
evaluation of the Administration's proposal.

SENATOR RUSSO: I see. OK. Is it not true
generally, Mr. Freund, that industries that have

located here, or who may in the future, would make that determination primarily based upon the markets for their products as well as perhaps labor availability rather than the property tax rate?

DR. FREUND: Senator Russo, you are absolutely right that the decision to locate industry and commerce is based on a consideration of many factors, the availability of markets, the transportation system, the availability of an appropriate labor force, but I would say that certainly tax factors are an important element in the decision.

SENATOR RUSSO: OK. With regard to one of the proposals that you referred to when you made your earlier statement, namely our own proposal, our breakdown with regard to the effect upon industries - and I use that category because that's primarily where jobs are concerned - would involve a total additional tax burden of \$135 million, of which, of course, if they're running in the 52% bracket, as most of our large industries are, half of which would be deducted against their Federal income taxes, so we're talking about a total additional burden of perhaps \$65 million.

With regard to corporate profits of about \$3.3 billion, is it your contention that that additional \$65 million burden to industry in New Jersey would cause our industries to leave the State?

DR. FREUND: No. I did not say that and I did not mean to imply that. As I read the Administration's business stabilization tax proposals, I noticed that the estimated yield of this tax is \$200 million, and I would not say that that is going to lead to an exodus of industry and is going to lead to a depression in the State of New Jersey. That is not at all the thrust of my comment; rather it is that when industry considers a location for a new plant it needs to take

into account, among other things, the tax structure and it will weigh in the balance and, on balance, I think it will be detrimental to economic growth and the growth of job opportunities in the State.

SENATOR RUSSO: And that's based upon your personal evaluation and, of course, not any specific statistics.

DR. FREUND: That is correct. It is based upon that.

SENATOR RUSSO: Comparing, if I may, - one or two more questions, Mr. Chairman -- comparing, if I may, the total net effect of equalized real estate burden that the Governor's proposal would place on industry under the stabilization formula, which comes to \$3.60 per \$100 total property tax, with the total that would result under the proposal we've advanced, which is \$3.89 per \$100, would you suggest that that difference of about 8% would cause industry perhaps to leave the State?

DR. FREUND: No. And I don't want to be cast in the position of taking a very strong opposition to what has been recommended by the Administration on this point; rather my thrust was to point out that in the absence of an income tax and a heavy reliance on property taxes and the creation of a differential rate for business substantially above the rate that is imposed upon individuals, the effect on economic growth in the State of New Jersey could be serious.

SENATOR RUSSO: Well, isn't it true - if I may add one more question to my last two -- is it not true that industry is going to be concerned about not how much it's paying in comparison to the homeowner but merely how much it's paying, period?

DR. FREUND: I think that's correct.

SENATOR RUSSO: OK. My last question is, you

mentioned the income tax as certainly being the fairest of all the various proposals, would it not be correct, sir, that the bulk of the tax dollars that would be paid under an income tax will fall overwhelmingly on the \$15,000 to \$25,000 income category?

DR. FREUND: I haven't seen that distribution. I really can't answer that. I don't know the answer to that.

SENATOR RUSSO: Thank you, Mr. Freund. Thank you, Mr. Chairman.

ASSEMBLYMAN PERSKIE: Anybody else? Yes, Mr. ManInnes.

ASSEMBLYMAN MacINNES: Dr. Freund, am I correct in believing that the property tax is theoretically an elastic tax in that assessments are theoretically supposed to move upward with increases in property values? Is that a fair statement of the theoretical concept of the property tax?

DR. FREUND: Well, theoretically a property tax has some elasticity, that is - let me clarify what economists mean by elasticity. They mean the rise in tax revenues resulting from a rise in income. So there is some elasticity to the property tax. That elasticity - and it's in my complete statement but not in my summary -- that elasticity for property taxes, according to various studies that have been done nationwide, is less than 1.0, that is, let's say, for every 10% increase in personal income you get less than a 10% increase in revenues from the property tax; from income tax, however, the elasticity is much higher. A state income tax - I don't know precisely what the elasticity of the proposed New Jersey tax will be but it will probably be in the neighborhood of 1.5%, which means for a 10% increase in personal income you could expect to get a 15% increase in revenue yield.

Now, it's important to bear this in mind, that in

an inflationary period, such as we've had, expenditures of the State also have an above-average elasticity, that is an elasticity in the neighborhood also of 1.5. And one major reason for that is, as I've indicated, the great difficulty of obtaining productivity improvements in the State's services that you get in the industrial sector of the economy.

Now, if you have expenditure elasticities of 1.5 and revenue elasticities of 1.0 or less, you can be certain that within a very short time, within a very few years, this Legislature is going to be confronted with an automatic deficit which a property tax will find it very difficult to close.

ASSEMBLYMAN MacINNES: Is there any state where, because of improved assessment practices, that gap caused by the elasticity differential between the property tax and the income tax has been closed in the property tax substantially. So, is there any hope or is there an example that can be pointed to of a state that because of the way it manages and administers the property tax has in fact increased the elasticity of the property tax to the point where in an inflationary period you might be able to get by without increasing rates?

DR. FREUND: Not to my knowledge, sir.

ASSEMBLYMAN MacINNES: Thank you.

ASSEMBLYMAN PERSKIE: Anything further, Senators or Assemblymen? Mr. Contillo.

ASSEMBLYMAN CONTILLO: Doctor, you spoke of unemployment. At the very heart of the Governor's program he bases \$106,000 of assessed valuation per child, and in many municipalities where they have been attracting industrial ratables the incentive or the desire or the reason for accepting either expansion of or new industrial ratables would seem to evaporate

because if they didn't take in the ratables they in turn would be given State Aid equivalent to them for the school portion of their budget. If this was to happen, if municipalities were to become less attracted to industrial ratables, would that not develop greater unemployment in the State, in fact less construction and less jobs and so forth?

DR. FREUND: Well, I would say that if the result of a statewide income tax were to be less aggressiveness on the part of communities in attempting to attract industry, there might even be a benefit and that is, you would get less competition among communities but you would have an increased incentive to locate somewhere within the State of New Jersey, location that is not based merely on merchandising, advertising and promotion but is based upon an economic incentive, that incentive being a more favorable tax structure.

ASSEMBLYMAN CONTILLO: My second question, and maybe it's disturbing particularly from Bergen County's standpoint, the stated objective was to take from the richer and wealthier communities and to give to those who needed it more. In our county, it seems to be just the opposite. In other words, we have communities where, again, there are industrial ratables located where the average income of the people will be half of the communities where there are no industrial ratables, where they are receiving aid.

What I'm getting at, in the allocation formula there does not seem to be any factor for the cost of keeping municipal ratables. So that the smaller municipalities with the lower income people in them, that have the industrial ratables, are losing money and other communities where there are no industrial ratables are gaining large sums because it does cost money to keep industrial ratables.

What I'm suggesting is that some factor be added into the formula to take into consideration the cost to municipalities of operating industrial and commercial ratables.

DR. FREUND: I had not considered that and that may be a desirable refinement.

ASSEMBLYMAN CONTILLO: I wish you would consider it.

ASSEMBLYMAN PERSKIE: Anybody else on the Committee have any questions? (No response)

Doctor, thank you very much. We appreciate your time and the benefit of your thoughts.

DR. FREUND: Thank you.

ASSEMBLYMAN PERSKIE: I have a statment which I would like to enter into the record, which I will give to the Staff. It is from a Dave Nalven who has produced a two-page, handwritten statement. I will read only the first paragraph:

"Thank you for the opportunity to allow a private citizen to speak. I have lived in Plainfield for almost 15 years. I am an Engineer, middle-income, and I work in New Jersey. I have always supported the concept of an income tax and I enthusiastically support Governor Byrne's proposal."

There are two pages of handwritten analysis as to the reason therefor and I will give this to the staff and instruct it to include it in the minutes of the meeting.

We have a number of people who are here who have expressed a desire to speak immediately. Obviously, we can only honor one of those at a time. And I do want to assure you that we will be able to hear everyone that's here as soon as possible.

The next speaker will be a Legislator who is in the process of making a proposal and I would like to ask Assemblyman Fitzpatrick - William Fitzpatrick,

Assemblyman from District No. 10, if he will come forward. We have a copy of his statement which, again, will be entered in the record.

W I L L I A M P. F I T Z P A T R I C K: Thank you, Mr. Chairman. It's a pleasure to appear here today before this most august, dignified body of Assemblymen and Senators.

What I would like to offer for your consideration is kind of a new concept or a new direction in terms of tax revenues to meet the Court's mandate of "thorough and efficient". I will be as brief as possible.

In the past, when funds were required, we have resorted to property taxes, sales taxes, lotteries, gasoline, cigarette and related taxes to meet the needs of government. Today, with rising costs, rising unemployment, rumors of possible reverses in the economy, I am opposed at this time to any income or additional tax burden on the residents of the State.

Currently schools utilize approximately 70% of the tax dollar.

Under my proposal, basically, I am recommending the changing of priorities in state assistance programs to municipalities by diverting these funds to school purposes so that municipalities assume the control and operation of the school facilities, as well as related debt services.

My plan is to have the municipality assume the operation of all school buildings, salaries and related costs exclusive of teacher salaries; provide funds for payment of school debt service; assume ownership of all school properties; be required to finance all future school construction; and funds for these costs will be included in the municipality's local municipal budget.

My plan is to require that a 5% school support levy be imposed on all municipal utilities, municipal authorities, county authorities and state authorities and

on all funds received for services rendered. On county authorities this levy will be based on funds received for services which are not being taxed under a municipal utility or authority operation.

I propose that the State of New Jersey discontinue State involvement in municipal and county revenue funding requirements and transfer said funds to a "Reserve for School Funding".

I propose that a special fund be established under State control to be known as "Reserve for School Funding" into which all funds will be diverted.

My plan is to reallocate State funds which in prior years were transferred to municipalities, such as State road aid, motor fuel tax refunds, State sales tax aid, bank stock tax, and State road aid construction and formula funds. This would be diverted to a special reserve fund for school purposes administered by the State.

My plan is also to reallocate State-administered funds which in prior years were transferred to municipalities, funds such as, personal property replacement tax and the railroad replacement tax, into a special reserve fund for school purposes administered by the State. In view of the fact that the personal property replacement tax rate has not increased or been adjusted since 1968, at which time this tax went into effect, I propose that this tax be increased five fold. Had this tax been part of the municipal levy, as it had been prior to 1968, substantial increases would have been reflected in municipal revenue for this tax.

My plan is also to reallocate State funds which in prior years were transferred to counties, such as, inheritance tax and insurance taxes of various types, to a special fund for school purposes administered by the State.

My plan is to reallocate State controlled funds, which in prior years were received directly by the municipality,

funds such as, the public utility gross receipts taxes and public utility franchise taxes. These would also go into a special fund for school purposes administered by the State.

In addition, I propose to recommend an increase of 25 percent, in the basic revenue rate of these funds.

I propose that in the event the total municipal tax rate shall be reduced greater than 30 percent, based on the 1974 tax rate, then said excess amount shall be transferred to a fund known as "Reserve for School Funding." In determining this excess amount, it shall be computed by the county and paid by the municipality on a periodic basis.

I propose a tax stabilization levy on all industrial, apartment, and commercial establishments.

I propose that these enterprises be limited to a 10 percent tax reduction. In the event the tax reduction should be greater, then I propose that the difference between the old tax levy, reduced by 10 percent, and the new tax levy be transferred to a school funding program.

I estimate that these recommendations would raise a total revenue of over \$1.5 billion.

I have made a study of the effect of this plan on various municipalities in my district, as well as two districts in Middlesex County. The savings or the percent of decrease in property taxes are substantial, averaging about 30 percent or higher.

I strongly urge that this school financing program be studied and accepted. There is no built-in income tax, no adverse economic impact on the citizens of the State and I feel that through the growth in our economy this financing program will meet the needs of education for many years to come.

Another fact to be considered is that there will be no additional administrative expenses required, it will be extremely easy to administer, extremely flexible and we will not be locking anyone into any kind of fixed State formula necessarily.

Thank you very much.

(Exhibits attached to Assemblyman Fitzpatrick's statement can be found beginning on page 66 A.)

ASSEMBLYMAN PERSKIE: Thank you.

Do we have any questions?

SENATOR MERLINO: Assemblyman, this almost sounds like a proposal to do away with State government.

ASSEMBLYMAN FITZPATRICK: I hope not, Senator.

SENATOR MERLINO: If you shift the revenues and sources that you have just outlined, what happens to the functions of State government that are now dependent on these sources of income?

ASSEMBLYMAN FITZPATRICK: My thinking is that the way it works now - I could be mistaken - that these funds raised by the State - the municipalities are reimbursed accordingly. What I am suggesting is not to send these funds to the municipalities. The State would put that money instead into a special fund for school funding.

SENATOR MERLINO: How much of a fund would be created? This State educational fund you are talking about, how big a fund would that be?

ASSEMBLYMAN FITZPATRICK: This is based now on the projected figures for 1975, \$1.5 billion, to be raised.

SENATOR MERLINO: \$500 million?

ASSEMBLYMAN FITZPATRICK: \$1.5 billion.

SENATOR MERLINO: That would relieve the municipality from funding education?

ASSEMBLYMAN FITZPATRICK: Each municipality would be responsible for the maintenance of its own particular schools in terms of maintenance costs and debt service.

It is a concept which I presented last week to the Office of Fiscal Affairs and they are, hopefully, working upon it and refining it to come up with more accurate figures and the effects on municipalities throughout the State.

SENATOR MERLINO: When can this Committee and when can the Legislature expect this. We have one copy here of your proposal, which I understand now really isn't in its final form.

ASSEMBLYMAN FITZPATRICK: No, it is not. I will get it to you as soon as possible.

ASSEMBLYMAN PERSKIE: We would appreciate getting whatever data you can as soon as you can.

Any further questions? (No response.)

Thank you very much, Assemblyman; we appreciate it.

ASSEMBLYMAN FITZPATRICK: Thank you.

ASSEMBLYMAN PERSKIE: Dr. Mark Hurwitz, New Jersey School Boards Association.

Since he is not here at the moment, we will hear from Senator Russo.

J O H N F. R U S S O: Good afternoon, Mr. Chairman and members of the Committee.

The proposal that we have presented, myself and Assamblymen Daniel F. Newman and John Paul Doyle, also of District 9, has been submitted to the Legislature. Each one of you has received a copy. It has been covered in the newspapers, so I won't take an awful lot of time outlining it, except briefly, here for the record.

My approach here today will not be a criticism of the Governor's plan, rather perhaps to some extent a rebutting of some of the criticisms that were made not only of our proposal but that of Senator Bedell and Assemblyman Van Wagner as well by Mr. Leone here today.

Briefly the proposal that we have presented is hardly

an afterthought. It had its genesis back in 1971 when I first campaigned for public office for the State Senate. I couldn't follow through on it because I lost. It was updated in 1973 primarily as a result of the benefits we received from the two-year study of the New Jersey State Tax Policy Study Commission. As a result of that study, we incorporated a number of the recommendations of the Commission in our proposal that was presented in 1973 and we campaigned on that proposal. So what we present here today is not a reaction to the Governor's income tax plan but something we have advocated now for three years.

In January of this year, a copy of that August 1973 presentation was sent to every member of the Legislature, and brought up to date more recently by the presentation last week.

Basically what our concern has been - we recognize, as does the Governor, the inequities that exist in the present property tax. We differ with him only with regard to the solution. There is no question the property tax, as presently applied, is quite regressive and we seek to meet that regressivity in our proposal.

I think it is important to keep in perspective what is wrong with the property tax. The property tax is not inequitable and unfair to the citizen in the community that is paying 29 cents per hundred. He is very happy. He is delighted. He is not crying out for relief for tax reform. The citizen crying out for tax reform is the citizen in the community paying \$4, \$5, \$6 or \$7 per hundred. That is where the inequity lies, as well as the disparity in the expenditure of funds under the present system.

We sought to meet this inequity, not by an income tax which has certain advantages - there is no question about it - but which also leaves some communities after the program is put into effect paying a real estate school property tax rate as much as five, six, seven or ten times

more than other communities. That is not our concept of fairness. Rather what we have proposed, is an equalized rate throughout the State. Recognizing that public education is a State function and not a municipal function, it was our position that each resident of the State ought to pay the same proportionate share and each student ought to have the same equal opportunity with regard to expenditures so that he might have the same opportunity for education as a student in another, perhaps more wealthy, community.

We have attacked the problem by an equalized school property tax rate of \$1.50 per hundred. As you recall from the proposal, it actually has leeway in there where it can be reduced even further if the Legislature so desires. We would extend, however, the property tax on commercial and industrial properties over \$50,000 in value to \$2.50 per hundred. This alone would raise enough to meet our educational requirements that are projected for the 1975-76 year.

We went further, however, and rather than give the Legislature and the people of this State an alternative to accept or reject as written, we allowed leeway. We proposed a number of tax increases that would raise an additional \$418 million more than we need. The reason for that is to allow our fellow legislators to reduce those taxes that they perhaps might feel were too high on some groups. Incidentally, some of these proposed tax increases are not figures arbitrarily selected out of the air because we feel it is political to adopt a "soak business" or "soak industry" philosophy. We are very mindful of the competitive position of New Jersey and we tried to consider it.

Many of these proposals we have offered come from the recommendations based upon the study of some two years of the New Jersey State Tax Policy Committee. When we total up all of these various fund-raising efforts, the total we would raise, including present State aid of \$634 million,

is a total of \$2,815,000,000, which is \$215,000,000 more than we need raised. We suggest that part of that be used for a senior citizen homestead exemption of \$10,000 on his school property tax. That would take some of the regressivity out of the property tax for that low-income group.

When you analyze the additional or increased taxes that are being put on the industrial community - we have heard talk about jobs today - we consider that reference to be made primarily to the industries of the State of New Jersey. We have asked for a breakdown of our major taxes and how they affect industry. The conclusion we have come up with is that they would increase industrial taxes by approximately \$135 million. If that be so, I remind the Committee, just as the Governor did with regard to the income tax, that that amount is a deductible item against federal income taxes paid by these industries. If we assume the 52 percent bracket as being what most of our major industries are in, not all, of course, that would bring the total additional cost to industry in the State down to approximately \$65 million. We don't think that is going to cause a traffic jam of trailers loaded with the components of plants in New Jersey, going in the Holland Tunnel to New York, especially when one considers that most of the tax rates we have studied and the State Tax Policy Committee studied showed New Jersey to still be at quite a competitive position with regard to surrounding states. Using only one, and I realize there are more, the corporate income tax that we propose to raise to 7 1/2 percent, the figure that was recommended by the State Tax Policy Study Committee, that still would result in a corporate income tax lower than that of surrounding states.

What do we accomplish by this? We have taken the residential property owner who is in a high tax district and we reduced his tax to \$1.50 per hundred and stabilized it at that figure. That, incidentally, would cover some

84 percent of the property owners in New Jersey. The other 16 percent, or a little less than that because some wouldn't change, whose taxes would go up, aren't going to be hit with an economic hardship with very few exceptions because they are in very low tax districts.

When we are all through, if this program is adopted, every citizen in the State of New Jersey will be paying the same tax rate to support public education, a State function in New Jersey.

With regard to the comments of Mr. Leone that the proposal mentioned would cause us to have to seek tax increases in several years, Mr. Leone stated that we used only the three best years as the basis for our contention. It would seem perhaps to some that we picked three scattered years and picked the highest three and used them. We didn't do that, of course. We picked the three last years, the most recent three years. Our proposal as to the sales tax extension to lawyers, architects, etc., has a projection of a 10 percent climb through each year and was based on a period of ten years. We didn't pick ten at random, but the bulk of the last ten. We are dealing with present performance. If there is a complete turn-around in our economic picture in the future, neither we nor the Governor can anticipate that because certainly, if that happens, the income tax rate is going to have to rise too.

So absent something unusual and based upon the performance of the last several years, we feel that the 12 percent rise in property ratables offsets the 8 percent educational cost rise, and we don't anticipate that rise to continue at 8 percent in the future, as we now enter some 15 years of declining enrollment.

The Treasurer stated that under our proposal a typical \$30,000 would have to be valued at \$47,500 in five years in order to keep up with the effort we are proposing to make.

That is simply not so. The 12 percent rise we refer to is not a 12 percent rise entirely or even in substantial part of the values of present property. It includes in substantial part new construction, whether it be new homes, new industries, new plants or what have you. It would not require a 12 percent increase in ratables or assessment values of the average \$30,000 home in order to keep up the pace that we have projected.

With regard to the effects upon business, as was mentioned earlier, there really is a very slight difference in the property tax effect of our proposal and that of the Governor. Under the administration proposal, the effective property tax over-all rate on industries in New Jersey statewide would be \$3.60. It is \$3.90 under our proposal. It is not a big difference, less than 8 percent, but don't forget it allows us to provide along with our other adjustments some \$325 million in property tax relief to the homeowner in New Jersey, and it is the homeowner in New Jersey that renders the present system so inequitable. In New Jersey, as I understand the figures, homeowners pay 65 percent of our property taxes as compared to 35 percent paid by industry and business, compared to a national average of 50-50. We seek to bring it more in line with where it should be and we don't think business is going to conduct a mass exodus from the State of New Jersey as a result of it.

I think you recall from the proposal we not only met the educational problem with our figures, but, in fact, also met the anticipated budget short-fall, which no one seems certain is going to exist.

think the critical thing to remember when we talk about the effects upon industry -- so far we have heard a statement by the Treasurer that our proposal would threaten New Jersey's competitive position in bidding for commercial and employment development and Dr. Freund's statement also --

but so far we have heard no facts, figures or statistics. We just simply don't believe that a net increase, net after federal income tax deduction, of some \$65 million to our industries in New Jersey as against corporate profits of \$3.3 billion is going to cause a mass exodus. We contend rather that in New Jersey the determination to locate or not locate, stay or not stay, is based upon factors other than the difference in the property tax rate between what we have proposed and the Governor's.

Finally in conclusion, we do not criticize the Governor's proposal, rather we project our own. We are going to attempt to continue with that proposal. We think perhaps the Treasurer's statement was well applicable to this Committee and we hope to all members of the Legislature. This is an alternative that we believe in. It is an alternative that was presented three years ago and continued to the present day. We hope, in fact, every legislator will present alternatives if there are some, because in this respect, we agree with Governor Byrne and we admire his initiative. This problem must be resolved by December 31st of this year by whatever the best plan may be and we ought not shrink from that obligation. Certainly in the case of myself, Assemblymen Dan Newman and John Doyle, we don't shrink from it. We do not take the position that the Governor's plan is bad and ours is better. We simply say: Here is ours; here are the facts and figures; we think they are well thought out; we worked a long time on them; we think they are accurate. They are here for the Legislature and the people of New Jersey to consider.

Thank you, gentlemen.

ASSEMBLYMAN PERSKIE: Thank you, Senator.

I have one question. You indicated in your plan that there were a number of communities wherein there would be a tax increase and also that in most of those communities

there would be low tax rates to begin with. Referring to my own district, being that we are all selfish animals, I represent the City of Atlantic City which would have a tax increase under your proposal and which has a present tax rate of \$6.84, which is certainly by any standard -- well, at least, by Atlantic City's standard it has precluded effective investment among other things for some time. Your proposal would increase the taxes for some 75,000 residents of the Second District. I wonder whether or not you would speak to that.

SENATOR RUSSO: There actually are, in fact, two other districts in the State, Assemblyman Perskie, where more than a majority of the people in the districts would have tax increases. But they are the only two out of forty. Out of seven million some people in New Jersey, more than six million people live in communities that will have tax reductions. Some one million will have tax increases. For example, in your own district - I think it is in your district - in Atlantic County, Buena Vista has a \$2.84 rate. It will go down to \$1.50. I don't think any of us can deny that under any proposal that has been presented thus far - the Governor's, Senator Bedell's or mine - we can point to difficult situations that maybe we can resolve and maybe we can't. We don't make any pretense to have accomplished a perfect solution for every district in the State. We do point out though that 84 percent of the homeowners in this State - we wish we could say 100 percent - but 84 percent of the homeowners in this State are going to have a tax reduction under our proposal. And we think that tax reduction has been desperately needed for a long time.

We wish we could go down to perhaps \$1.30 - and there is provision in our proposal to do that - and that would cover Atlantic City as well. We would join with you in an effort to include Atlantic City. We don't know if we

can in good conscience take the \$1.30 figure because of the effect on business and industry. We don't want to go beyond the point where business would not be competitive.

ASSEMBLYMAN PERSKIE: Senator, you do indicate then that your proposal as well as some of the others does cause some degree of economic hardship on certain people, depending, of course, on where they are, and certain communities would suffer tax increases. You point out the other programs likewise include some measure of hardship on certain individuals. What I want to ask you is whether or not -- or how you react to the distinction that some have drawn, in that while your program to the extent that it does impose a hardship on certain people does so in the form of the regressiveness of the property tax, which you, yourself, have acknowledged, and that by and large under some of the other programs a hardship that may be imposed is imposed on the basis of the income tax, which is a somewhat more progressive tax than that which you have proposed.

SENATOR RUSSO: I don't concede that the proposal that we have advanced here is a totally regressive proposal, not at all. I say the present property tax system as administered today is.

ASSEMBLYMAN PERSKIE: Excuse me. I didn't mean that.

SENATOR RUSSO: Perhaps I misunderstood you.

ASSEMBLYMAN PERSKIE: You conceded in your testimony that the property tax was quite regressive and that you have attempted in this proposal to meet that regressiveness.

SENATOR RUSSO: Yes.

ASSEMBLYMAN PERSKIE: And you have likewise conceded, as I think we all must, that all of the programs that have been proposed in major outline impose some degree of economic hardship on somebody somewhere along the line.

My point to you is that inasmuch as your program is based on a property tax and that the property tax has by all accounts been labelled the most regressive of a variety of taxes, isn't it a fact that the hardship that is imposed under your proposal is a more regressive hardship than that imposed under the other proposals?

SENATOR RUSSO: No, I don't think so, if I understand the question correctly, because once we have reduced the property taxes for the people in mostly our low-income communities that are paying the high property tax rates now-- when we reduce their property tax rate and give the senior citizens a \$10,000 exemption over and above the \$1.60 exemption they now have or credit - it gives them an effective \$20,000 exemption at \$1.50 rate - we have taken an awful lot of regressivity out of it. Also, remember, our program is not based entirely upon the property tax, but also the higher income taxes I have mentioned, as well as the industrial and commercial taxes that have been outlined.

So it is our contention, Assemblyman Perskie, that the regressivity is considerably removed under the proposal as we have presented it.

ASSEMBLYMAN PERSKIE: Doesn't that analysis, however, apply only to those who benefit under your program? I am talking about the ones who are hurt under your program.

SENATOR RUSSO: Let's stop for a moment. Sixteen percent of the people of this State will pay higher taxes under our program.

ASSEMBLYMAN PERSKIE: I am talking about that 16 percent.

SENATOR RUSSO: That is what I am going to talk about for a moment now. Most of that 16 percent, since most of those communities are the higher-income communities or wealthier communities, are not going to end up with an economic hardship. First of all, it is only going to

be an equalization of what they should have been paying all along. Public school education is a statewide function. There will be, however, isolated instances in those communities where a person is going to be living in a wealthy community, yet he, himself, is not wealthy. Yes, there is no question about it, but out of the 16 percent, you might be down to 1 or 2 percent. And if we are right and if we are successful in solving the problem for 98 percent, I could live with that 1 or 2 percent.

ASSEMBLYMAN PERSKIE: I can understand that. But I am referring now to the number of communities that don't apply to that analogy that are not, in fact, wealthy communities that would still suffer a tax increase.

SENATOR RUSSO: I don't know that there are too many of those, Assemblyman Perskie. You must remember the only communities that will have an increase will be those paying less than \$1.50. You point to Atlantic City. I think that is a tough example. You happen to live in probably, at least to my knowledge, the toughest illustration under any of these programs that one can think of. Even under the Governor's program that tax will go down, but those people don't pay an income tax now.

ASSEMBLYMAN PERSKIE: We do all right under that program because with their incomes in that city, they are still going to make out.

SENATOR RUSSO: I don't know. I can't, of course, answer for them. I don't know how your people feel. We just think, looking at it in the broad view, statewide, the proposal is a sound one for most of the people in the State.

ASSEMBLYMAN PERSKIE: Thank you very much.

Any questions by Committee members?

ASSEMBLYMAN CHINNICI: Mr. Chairman, through you - Senator Russo, you stated just a few minutes ago, just about two or three districts out of the forty are truly

hurt by your plan. Since there are only two or three districts that are being severely penalized under your plan, did you make any provision for a save-harmless clause at all to sort of protect those who have no place to go?

SENATOR RUSSO: I might make this point first of all. I don't agree that if our plan is adopted instead of the Governor's plan that those two or three districts are severely penalized. They will pay a higher school property tax rate, but they won't be paying an income tax. I think that is an important distinction to keep in mind.

As to "save harmless," no we have not. We do have a proposal coming as to the distribution that will, you might say, take some period of time to equalize the burden. But I personally have no sympathy with save-harmless provisions. They are the provisions that have gotten us in trouble with the Supreme Court in Robinson versus Cahill. If a community is paying less than it should be, I don't see why we ought to have a save-harmless provision and preserve its tax advantage.

ASSEMBLYMAN CHINNICI: Senator Russo, if I may, I represent the First District which includes Cape May and Cumberland Counties and I disagree with you when you say Atlantic County is hit hardest under either plan. I think Cape May really is. Eleven out of the sixteen districts in Cape May have a substantial increase in their property tax in addition to paying an income tax. In view of that, you have the largest amount - if you will look at the First District in your own figures - you will see that 37,390 people have an increase in taxes in the First District. The entire 37,390 is in Cape May County. What do you propose that these people in Cape May County do?

SENATOR RUSSO: First of all, don't forget in that same district 152,664 of your constituents are going to

have reduced school tax rates under our proposal.

ASSEMBLYMAN CHINNICI: Yes, I see that.

SENATOR RUSSO: As to the 37,000 who go down -- see, you happen to be in a position such as some of the people in Bergen and in my own County of Ocean are. For example, unfortunately, and I don't mean to be disrespectful to a resident of Avalon, but he is paying 29 cents per hundred school tax rate now. When we compare that with five, six, seven and eight dollars in other communities, I can't be too terribly concerned if we take a State function such as public school education and require him to pay \$1.50, the same as every other resident in the State would be required to pay. It isn't going to make him happy, but I don't think an income tax is either.

ASSEMBLYMAN CHINNICI: But, Senator Russo, isn't it possible that the officials in this particular district have done a pretty good job.

SENATOR RUSSO: No.

ASSEMBLYMAN CHINNICI: There has to be a reason somewhere.

SENATOR RUSSO: I think if you will look at the ratables behind each student - I don't have those figures in front of me - but I know one particular woman at one of our Subcommittee hearings in her community was paying like 30 cents per hundred and she said, "why do you want to penalize us - we have had good government, etc." I pointed out to her that in that community the average ratable per pupil, considering the \$57,000 State average, was \$550,000 per student. That is why she was paying 30 cents, not because of good government.

We can't really seriously argue that the rate is 29 cents in Avalon in your district and \$2.30 in West Cape May because the people in Avalon are so much better administrators than the people in West Cape May. It isn't so.

ASSEMBLYMAN CHINNICI: There is a school function, no question about it. The children are probably in a more concentrated area in the West Cape May area.

ASSEMBLYMAN PERSKIE: Mr. Russo, for factual information the equalized valuation per pupil in Avalon appears to be in the neighborhood of \$499,000.

SENATOR RUSSO: That is why they are paying 29 cents per hundred.

ASSEMBLYMAN CHINNICI: One more question, Mr. Russo. Take a district in Union County that has a school tax rate of \$594.

SENATOR RUSSO: Is that Winfield?

ASSEMBLYMAN CHINNICI: Yes. I see from the Governor's proposal that the tax rate is \$15.99 or \$16 per \$100 assessment. Is this an equalized rate, this \$15.99, do you know?

SENATOR RUSSO: They are both supposed to be an equalized rate. I won't criticize the Governor's figures, except to tell you that ours are correct.

ASSEMBLYMAN CHINNICI: What makes it so obvious is the fact that from \$15.99, you drop to \$3.60, you drop to \$4.14; what is the rationale for this tremendously high \$15.99 tax rate in Winfield?

SENATOR RUSSO: Low ratables behind each student. If you look at the ratable table in the Governor's plan, it shows that and the very simple reason is less property value behind each student in that township and that is why they pay such a high rate and that is why Avalon pays such a low rate. I think if you look at West Cape May - and I don't even have it in front of me - you will find they have a relatively low ratable per pupil. That is why they pay a \$2.30 rate, whereas Avalon only pays 29 cents.

ASSEMBLYMAN CHINNICI: One last question to you: Mr. Russo, I think if you could have a save-harmless clause in your plan, you would have a pretty good plan.

SENATOR RUSSO: I would like to have it, except I doubt its constitutionality. That is the only thing that concerns me and I don't believe any of us want to pass something that is going to bring us back next year in the hot summer again trying to find a new plan.

ASSEMBLYMAN PERSKIE: It was hotter than this two years ago.

ASSEMBLYMAN BROWN: Mr. Russo, what will your program do to assist the municipalities and the counties that are overburdened?

SENATOR RUSSO: When you say "overburdened," could you help me a little on that? What do you mean by "overburdened"?

ASSEMBLYMAN BROWN: Well, that are over-taxed, that have more responsibilities than some of the other counties.

SENATOR RUSSO: You see, Assemblyman Brown, our proposal deals strictly with education, of course. I should make that very clear. What we are trying to do here is find a concept that will meet the Robinson versus Cahill decision constitutionally and be fair.

In most of those communities you refer to, the residential school property tax rate is much higher than \$1.50 per hundred. So it would reduce the rate to \$1.50 per hundred in those communities, the only exception being Atlantic City. Other than that, we reduce the rate for those people in those over-burdened communities.

ASSEMBLYMAN BROWN: In other words, certain areas are still paying a tremendous amount of property taxes and you mentioned everyone would be paying the same amount of taxes throughout the State on the property level.

SENATOR RUSSO: School property taxes.

ASSEMBLYMAN BROWN: How would this deal with one's ability to pay? Are you saying, regardless of his ability, he still should pay the same amount?

SENATOR RUSSO: Yes, I am saying that. His residential property tax would be \$1.50, no matter where he lived. Of course, if his home was worth, say, \$50,000 as compared to \$25,000, he would pay twice as much tax, but the rate would be the same throughout the State on every homeowner, and on every corporate or commercial establishment. The rate would be the same. We think this is another concept that the Supreme Court was talking about in Robinson versus Cahill that we were trying to meet.

It wouldn't remain the same under the Governor's plan. Under the Governor's plan, the low-tax communities would come up, but still be much below many of the high-tax communities.

ASSEMBLYMAN BROWN: In other words, in spite of the amount that they are paying now and regardless of the fact that they are sharing some of the statewide problems, that they are already overpaying, you are saying that that is not totally the responsibility that we should be dealing with also.

SENATOR RUSSO: No, I am not saying that at all, Assemblyman Brown. It may be that there are problems that should be taken up by this Legislature at this time over and above what we have sought to meet. What we are trying to deal with is the educational problem in this State and we have thrown in the budget short-fall because it may be a fact of life. We haven't tried to solve all of the State's problems. We haven't tried to go into a State take-over of welfare or court costs. Certainly if this Legislature wanted to do that now or next year or whenever, there is no reason why it shouldn't. We merely say we haven't tried to do anything but meet the problem that brings us here this summer, namely, a December 31st deadline to meet the question of financing public education. That is what we are directing our efforts toward.

ASSEMBLYMAN BROWN: Would you be in favor of a State take-over of these problems?

SENATOR RUSSO: I certainly would be in favor of it if we could figure out a good way to pay for it, other than an income tax.

ASSEMBLYMAN BROWN: But in the meantime, let the overburdened counties worry about that. That is what you are saying.

SENATOR RUSSO: No, I don't take that calloused approach. You know I get a lot of criticism in some of my own communities, wanting to know why we should pay for the school children in Newark. And my answer is pretty simple. To me, the school child in Newark deserves the same educational opportunity in our public school system as the school children in my community or my own family. I don't think it should matter whether he is born in Newark or in Toms River or whether he is Black, White, Italian or Jew. He ought to have the same educational opportunity. That is what we propose under this system. The only question is what form do we use to pay for it and that is where there are different alternatives. But I don't take the position, let them worry about it. No, sir. When it comes to medical care and when it comes to education, no child should have to do with less than any other child. That is my firm philosophy.

ASSEMBLYMAN BROWN: Thank you very much.

ASSEMBLYMAN MAC INNES: Senator Russo, - through you, Mr. Chairman - one of the problems that doesn't receive the attention it should with the property tax is the problem of assessment. Two people owning the same type house with exactly the same market value but because of the assessments may pay taxes that may be different by 40 per cent, not just in a different town, but in the same town. With a program that puts so much emphasis for a collection of revenues from a property tax, could you

just outline very briefly your recommendations for insuring that we will get closer to uniform assessment practices in the State of New Jersey?

SENATOR RUSSO: First of all, much of the problem is met by the present equalization procedure. I don't know if it all is or not, very honestly; I just don't know. But, as you know, where there is one level of assessment in one town and one in another - and I say this not for your benefit because you know as much about it or more than I do, but for those listening - we have equalization tables. That meets much of the problem. I would think - and I suggested in the proposal that Assemblymen Newman, Doyle and I presented - that we ought to consider legislation regarding statewide assessment procedures to meet that problem even further.

ASSEMBLYMAN MAC INNES: Would this do away with the local assessors or would this be statewide assessors on top of local assessors?

SENATOR RUSSO: I really don't know yet whether, we should, in effect, since we are dealing only with school taxes here, have the State worry about that part and the municipalities about the municipal-purposes tax or whether it should all be done together. I don't profess to have that answer. It matters not to me. When I say it matters not to me, what I mean is - I am concerned about it - but which alternative is adopted is not an integral part of our program. I would defer to the wisdom of those who know more than I do about that aspect of it.

SENATOR MARTINDELL: Senator Russo, - through you, Mr. Chairman - I have three questions. The first one was something you referred to this morning about the similarities in your plan to the Tax Policy Commission Plan.

ASSEMBLYMAN PERSKIE: Senator, would you be kind enough to keep your voice up, please.

SENATOR MARTINDELL: -- the similarities in the

Tax Policy Committee's report and your suggestions. If that is so, why did you knock out the feature in that report which gave it its elasticity, which was the income tax?

SENATOR RUSSO: When I said similarities, I did not mean to suggest - and I hope I didn't convey that impression - that our over-all proposal is similar to the State Tax Policy Commission's over-all proposal. I said that certain of the taxes, for example, the corporate income tax, the financial institutions tax - a third one escapes me for the moment - were adopted right out of that report. They made an analysis of these three tax increases. They analyzed whether it would place New Jersey at a competitive disadvantage with other states and they concluded it would not. This convinced and influenced me because I certainly have no independent knowledge over and above what I learned from those studies and other studies. So these certain aspects came from their proposal, certainly not their entire proposal which was a one dollar equalized statewide property tax plus an income tax. We came to a point where we parted ways. We adopted what we thought were the good parts of their program and rejected the parts that we didn't feel were sound, rightfully or wrongfully.

SENATOR MARTINDELL: But you didn't say why. Why not the income tax?

SENATOR RUSSO: Why not the income tax? There are several reasons why not the income tax. First of all, using approximate figures, taking the Federal income tax as an example - and our progressivity is not really any more than theirs, if it is as much - some \$432 billions of that comes from the people in the \$15,000 to \$25,000 group, some \$34 billion in the over \$25,000 group. I am not opposed to the concept of an income tax as such. I would say if we took - and I mean separate and

apart, not as part of this entire problem - the income tax and the sales tax, just those two things -- in 1967, I think it was, I personally favored the income tax as a replacement in its entirety of the sales tax and I may still do so today. I just don't think that an income tax at this point to solve this problem is required or necessary.

You then go to the second problem, to me a very difficult and obvious problem. I don't think our people or our Legislature want an income tax and I think we are beating a dead horse.

SENATOR MARTINDELL: Do you mean you think the legislators are afraid of it?

SENATOR RUSSO: No. I think some are, yes. I think it would be unfair to say there aren't some legislators who are opposed to an income tax because they are worried about getting re-elected. I hope they are very few in number. I think there are others who feel as I have felt for three years that to meet this particular problem, we don't need an income tax. We can do it in another manner without it. We think this proposal is one, or some variation of this proposal. I don't claim that it ought to be exactly what we have presented. We just simply don't feel in good conscience that an income tax is necessary to meet the problem we are faced with in 1974 with regard to education.

SENATOR MARTINDELL: Thank you. I have a couple more questions. As a member of the Education Committee, in going around to hearings and meetings around the State, the concern that people have who testify are not only about an increase or fear of an increased tax burden; they are also very afraid of the possibility of even half State funding of education. And your plan calls for a full funding of education, and the concern would even be increased

that there would be more State control and that, in this home rule state, we wouldn't have the local input.

SENATOR RUSSO: That is going to be up to the Legislature, Senator Martindell. Certainly I don't share the concept that we ought to take the control of education out of the hands of the boards. There are some who argue that a proposal of full State funding would actually benefit local control because it would take the burden of budgets and tax-raising out of the hands of the local people and let them concentrate on education within the framework of the State. Today, of course, you have most of that control right now. You can't build a new school without State approval. You can't do many things without State approval anyway. But how much local control should remain is something that, no matter which plan we pass, we are going to do a lot of debating on in the Senate and Assembly. Our approach here is strictly to the funding and distribution portion. We do not advocate a complete State take-over of the control of education as distinguished from the financing.

SENATOR MARTINDELL: To get back to another question about the municipal overburden, another thing that comes across in these hearings is that it is closely tied to the costs of each community. Why do you assume that the welfare costs and court costs do not affect education because in a certain budget, if you have so much to spend, you are going to have to take that into consideration?

SENATOR RUSSO: Senator Martindell, I don't suggest that they don't have any effect, not at all. What I have tried to do - I started by reading Robinson versus Cahill 47 times before I understood it, and then tried to make a determination in my own mind, as did Assemblymen Newman and Doyle, during the past summer, as to what must we do? What is the court saying to us? What are our obligations

and how do we meet them? I don't pretend to try to attempt to solve all of the State's problems or all of the local problems. I know it is something far beyond me. I don't know that I am capable of solving this one or even contributing to it, except to do the best I can. So I haven't taken on more than I can chew. I may have as it is, but I don't want to take on even more than I can chew because I don't know how to solve all those problems. I haven't attempted to. They should be solved some day, but I don't know that now is the time.

SENATOR MARTINDELL: My point was that it does affect the budget.

SENATOR RUSSO: I think you are probably right, but so do many, many other things. We could probably go on indefinitely and unless we have --- Well, I don't want to get into that.

ASSEMBLYMAN PERSKIE: Thank you very much. Are there any other questions?

SENATOR MERLINO: Senator Russo, you have made the statement that for the time being, for the moment, to solve the immediate problem, your proposal for a statewide property tax would do the job. But you really haven't said that the income tax isn't a fairer tax, have you?

SENATOR RUSSO: No, not at all. Senator Merlino, you asked me that question because you know very well from my prior statement that I don't have the slightest intention of criticizing the Governor's program.

SENATOR MERLINO: Well, which tax is fairer in your estimation, the Statewide property tax you propose or an income tax as proposed by the Governor?

SENATOR RUSSO: Fairer in what sense, Senator? I'm sorry. I don't understand you.

SENATOR MERLINO: One which would be least offensive to the people who are going to pay.

SENATOR RUSSO: Well, for example, if you were to

substitute the income tax for the property tax in its entirety, I can think of some awfully wealthy large landowners that would reap a bonanza if you were to do that - if you were to talk income tax versus property tax. Remember the Governor, himself, has combined the two. I think we all agree there is some basic validity to the property tax. It is not all that bad a tax. It is terrible in its inequities the way it is administered in New Jersey today where the poor communities pay five and six dollars per hundred and the rich less.

SENATOR MERLINO: Hopefully we are directing our questions and answers just as it affects New Jersey.

SENATOR RUSSO: I understand that. In New Jersey today, the property tax as presently administered is terribly unfair; under this proposal, not at all so, because your low-income group, your retired people, will have no property tax on the first \$20,000 of assessed valuation for school purposes. Only when they get above that will they pay it, and there is no reason why they shouldn't after that. The people in the high tax districts today that are lower-income people are going to have a reduction. The people in the low-tax districts, with few exceptions, are basically your higher-income people and they are going to have an increase. It comes out to a pretty fair concept, as I see it.

SENATOR MERLINO: For the time being.

SENATOR RUSSO: I don't want to use the words "foreseeable future" around here.

SENATOR MERLINO: Then we will say for the time being.

SENATOR RUSSO: O.K.- as far as I can see into the future.

SENATOR MERLINO: You also stated that there is a 12 percent increase annually in ratables in the State?

SENATOR RUSSO: Yes, in property ratables in the State.

SENATOR MERLINO: That would mean that there would be an increase in building of real estate of 12 percent in this State per year?

SENATOR RUSSO: No. It is a combination of that plus revaluations where the assessments haven't been updated for some years and there is a revaluation to bring them up to current market values.

SENATOR MERLINO: When was the last time there was a re-evaluation in Toms River or Dover Township?

SENATOR RUSSO: Last year.

SENATOR MERLINO: Do you know how many communities have had a revaluation in the State of New Jersey in the last five years?

SENATOR RUSSO: I can only talk about Ocean County and I believe it was most of them because I know there was a court action just filed against the two or three who hadn't done it. Perhaps other counties are dilatory, but in Ocean they are right on top of it.

SENATOR MERLINO: But your statewide property tax covers 21 counties, does it not?

SENATOR RUSSO: Yes, it does.

SENATOR MERLINO: I have nothing further.

ASSEMBLYMAN PERSKIE: Thank you very much, Senator. We appreciate your testimony.

SENATOR RUSSO: Thank you, Mr. Chairman.

ASSEMBLYMAN PERSKIE: I have two announcements with regard to the scheduling. The next witness will be Dr. Mark Hurwitz of the New Jersey School Boards Association, who has promised us a limited statement. Immediately following his testimony, we will have a five-minute recess so that the stenographer doesn't pass out. We have polled the members of the Committee on the question of continuing the session right through the dinner hours, from five to seven; notwithstanding the vote of the majority of the members of the Committee, we shall continue the session

because of the long list of witnesses that we have here. Attendance between the hours of 5:00 and 7:00 for the benefit of the members of the Committee will be voluntary, and the staff has been directed to supply those of us who are here with something so that we can stay here until 10:00 o'clock.

Dr. Hurwitz, please.

M A R K W. H U R W I T Z: Thank you. Ladies and gentlemen, I am Mark Hurwitz, Executive Director of the New Jersey School Boards Association. I appreciate the opportunity to speak here today on behalf of the 605 local boards of education in New Jersey.

The policies of the New Jersey School Boards Association reflect the consensus of its constituency that a broad-based tax is the most appropriate source of revenue to achieve an equitable funding of the educational programs of the State of New Jersey.

The policies contain a series of principles which the Delegate Assembly views as essential to a broad-based tax program --

1. Each taxpayer's contribution shall be proportionate to his real income.
2. Any taxation program must be fair and equitable to all taxpayers. A taxation package should be developed that would include an income tax, both corporate and individual, a selective sales tax and a general property tax with the provision that tax credits would be available.
3. A new tax program must be devised that will not add inequities to the present tax system, but rather function to remove existing inequities.
4. Special attention must be given to senior citizens, possibly a constitutional exemption with carefully defined limits.

5. Any variation in the property tax must be designed carefully so that all nonresidential taxable properties are reached.

The Association believes that a broad-based income tax together with reform of New Jersey's total taxation programs, is a logical and necessary step at this time.

A personal income tax is recognized as the most fair of all taxes. It is considered to be the most equitable since it is based upon a taxpayer's ability to pay. It is progressive in its implementation and provides the necessary relief to senior citizens and young home-owners from the continually spiraling property tax.

It can provide a firm foundation for school funding since it is also the most elastic of taxes. It has sufficient elasticity to adjust to economic fluctuations without the need for continued tax rate increases.

The New Jersey School Boards Association is in general agreement with the tax proposals of Governor Byrne's administration and urges passage of legislation required to implement the program.

Since the introduction of the Byrne program, other pieces of legislation have been developed which continue to place major emphasis on the use of a property tax as the source of revenue for funds for education.

The Association has experienced negative results from the reliance on a property tax as the basis for school revenues. It must be recognized that the adoption of a state-wide property tax would serve to overcome the inequities which presently exist between communities, however, it does not alleviate the serious problems encountered in the utilization of this tax source.

The regressive nature of the tax itself, the burden placed on senior citizens and young homeowners with limited incomes, the inconsistencies in assessment procedures throughout the state, the added burden placed on business and industry, the relative inelasticity of the tax and the past impact upon the cities of the state should be viewed as deterrents to the continued use of this tax base as the major source of revenue for education.

After extensive evaluation of the various proposals and in accordance with the principles adopted by its Delegate Assembly, the New Jersey School Boards Association reiterates its support of the Byrne tax proposals.

I thank you for this opportunity and stand ready to respond to any questions you may have.

Thank you.

ASSEMBLYMAN PERSKIE: Thank you, Doctor. Are there any questions of the Committee as to this statement?

(No questions.)

Hearing none, Doctor, thank you very much for your testimony.

The next witness after the recess will be Senator Bedell. We will reconvene promptly at ten minutes to four.

(Five-Minute Recess)

AFTER RECESS

ASSEMBLYMAN PERSKIE: I am advised that the testimony on the forthcoming package will be given by its principal co-sponsors in either House, the Honorable Eugene J. Bedell, Senator from Monmouth County, and the Honorable Richard Van Wagner, Assemblyman from Monmouth County.

Mr. Bedell, as present Chairman of this Committee I would like to acknowledge your presence here as the former Chairman of this Committee and indicate that we are very pleased to see you back.

SENATOR EUGENE J. BEDELL: Thank you, Mr. Chairman. I want to express my appreciation to the Committee for allowing me the privilege to come before you today. Having been the Chairman of this Committee during the past legislative session, I don't envy you your task.

I am going to address myself to a plan that has been put forth by myself and Assemblyman VanWagner.

ASSEMBLYMAN PERSKIE: Senator, do you have a prepared statement?

SENATOR BEDELL: The statement has been mailed to every member of the Legislature. It was put in the mail this morning, I understand.

ASSEMBLYMAN PERSKIE: If you will, will you highlight it here this afternoon?

SENATOR BEDELL: Yes.

ASSEMBLYMAN PERSKIE: Thank you.

SENATOR BEDELL: With, really, no pride of authorship, as a matter of differentiation we have called our plan the VanWagner-Bedell Program for Funding Public Education.

Gentlemen, looking into the proposal now before you concerning public educational finance, you will find that

the figures prove ample to provide a good level of school funding without an income tax.

The following will give you enough information to digest and to understand how the program would operate and what it would mean to the taxpayers in New Jersey.

Many of the details in this legislation could be changed without affecting the financial part of the program and its ultimate application in any way. First, it is necessary to have a Constitutional amendment which would allow the Legislature to provide for property taxes by classification of property. This has been introduced as ACR-139 and SCR-123, which are identical.

Second, it is necessary to have a Statewide property tax based on property classification to provide the basic money for distribution. This has been introduced as A-1644. Because this is a tax measure it will originate in the Assembly and it is sponsored by Assemblyman Richard Van Wagner of Monmouth County.

The third and most comprehensive bill will provide for the utilization of the money involved, how it is to be distributed, on what basis and if desired, what strings are to be attached to it. This has been introduced in the State Senate as S-1186, sponsored by Senator Eugene J. Bedell.

The figures pertain to either the calendar year 1973 or to the school year 1973-74. This is important because it does not take into account the large increase in State school aid which will be in the State Budget for the year 1974-75. However, we can disregard this and consider it as money which may be necessary to meet increased costs due to inflation. It could be used to cut the impending budget deficit in half, provide a Senior Citizens' Homestead exemption, or whatever purpose the Legislature may deem. We say this because we do not consider - no matter how worthy any of these programs may be - them to be essentially

a part of the Botter mandate.

The receipts from this tax proposal, that is the classified statewide property tax, will amount to approximately one billion eight hundred and fifty dollars. If we add to that the approximately four hundred and fifty million for State aid purposes in the present State budget, 1973-74, we arrive at a total figure of two billion, three hundred million dollars, which is somewhat more than was budgeted by all school districts this year. The basis is for full funding of all public schools at a relatively high level.

The plan includes the idea of separating regular day school operations from those for debt service, special students and miscellaneous capital. Although transportation is on a full funding basis, it is considered within the regular day school cost because that is where it appears in the existing school budgets.

From the two billion three hundred million, deduct seventy five million for special students - these are the atypical pupils under special education programs. Deduct one hundred nineteen million for debt service and miscellaneous capital in the amount of twenty one million. These are very close to the actual cost figures. After these deductions, we have two billion eighty-five million, which works out to more than \$1200 per student in regular day school throughout the State. To some this may seem a rather low figure but it must be remembered it does not include money for debt service, for special students or miscellaneous capital which, in many districts, is a very high cost figure.

It is more costly to properly educate a pupil at the high school level than at the elementary level. Therefore the distribution of money is on the basis of \$1,000 per pupil for elementary school (k to 8), \$1,500 per

pupil for high school, \$1,850 for full-time vocational students and \$2,500 for special education students.

Based upon current expenditures, you will find these to be adequate. With no breakdown between pupils in elementary school and in high school, we tabulate the average expenditure per pupil for the schools in each county in the State. For all expenditures, the \$1200 average is exceeded in only 9 of the 21 counties and in only four by any significant amount. Even if it is above, the \$1200 per pupil mark would be very close to it.

There are a number of significant factors to a program such as this; one being that provision made to "phase in" school districts in which per pupil cost are so low that should they suddenly be given the amounts we have projected, a great deal of the money would be wasted. A second factor is that school districts would find themselves in a position where they would be compelled to utilize their money in a better way.

What of the taxpayer under this program? Based on this proposal, the residential taxpayer would have a rate decrease in 446 of the 567 municipalities. That decrease would apply to 86% of all of the people. The commercial taxpayer would have a decrease in more than half of the 567 municipalities in New Jersey.

In no instance would the increase in the school tax in those remaining municipalities bring the homeowners' tax above the State average and in only 8 or 9 municipalities would the commercial taxpayers' tax be pushed above the State average.

For the most part, those who have had a tax increase are now paying extremely low taxes where the total tax bill for everything is less than in other municipalities for school taxes alone. Essentially what this proposal does is equalize the tax for public education at a reasonable level so that everyone pays his fair share.

It is important to note that this is a simple, easy to understand program. It is not an additional property tax but one which replaces much of that tax now collected locally. While recognizing the obvious difference in property used for residential purposes and those used for commercial purposes, it does not raise the commercial portion to a level which would prove prohibitive to New Jersey's economic growth. It does not include the use of the so-called "nuisance taxes" which, subject to different economic pressures, could have a detrimental effect on the entire program.

The best feature of this program is the stability it brings to the public education portion of the property tax which, of course, in most municipalities is by far the greatest part of their taxes, and it does so without a State Income Tax!

There are a few more relevant remarks I would like to make because I am anticipating some of the questions you might ask. An additional feature of this bill would establish a contingency fund of no less than one-half nor more than one percent of the proceeds from this Statewide tax. Such a fund would be established to provide for emergencies of an unanticipated increase in any enrollment in any district for experimental purposes, for transportation which does not fall within statutory limits, or where hazardous conditions may prevail and, finally, for capital construction in emergency conditions.

We feel that our proposal would be less likely to raise a court objection than the equalized per-pupil resource approach used in the administrations's program. If the court's major concern is with students and education rather than the taxpayer and taxation, then the amount actually spent by a school district on education is far more relevant to the court's concern than the amount

available to spend. Stated another way, educational opportunity for a student should be actual rather than potential. Thank you.

ASSEMBLYMAN PERSKIE: Thank you very much, Senator and Assemblyman Van Wagner. Are there any members of the Committee who have any questions of either legislator?

Senator and Assemblyman, we have been given copies of your proposal and, as I have indicated in the past to Assemblyman Van Wagner, the proposals will receive the careful consideration of the Taxation Committee. We are presently submitting them for the fiscal analysis of the Office of Fiscal Affairs and when that is completed we will have some report back for you.

The Constitutional amendments that would be necessary to effectuate your program have been already released either by the Assembly Taxation Committee, before the legislative recess or, in some instances, by the Senate, which submitted them to second reading at their introduction. Thank you very much.

SENATOR BEDELL: Mr. Van Wagner would like to make a few remarks to the Committee.

ASSEMBLYMAN PERSKIE: Yes, sure.

ASSEMBLYMAN VAN WAGNER: Just for the Committee's consideration - in consideration of the funding levels, I think you should be aware that in the Bedell-VanWagner Tax Proposal - in the distribution bill - the portion that we are funding of the entire local school board ledger deals with administrative, teaching, maintenance and supply cost. The transportation, tuition and atypical student cost is not considered in the total funding area. I think this is a very important consideration since, in looking at the revenue side of the ledger on a local school board, we are not considering the surplus or federal aid that the school board may receive. So the figures we are showing you are, in a sense, base figures, based on the expenditure

and revenue levels now being implemented.

ASSEMBLYMAN PERSKIE: Thank you. Assemblyman, I might note that, notwithstanding the close relationship between this Committee and Senator Bedell, the proposals would stand a substantially increased chance of acceptance in this House if they were known as the VanWagner-Bedell Proposals.

ASSEMBLYMAN VAN WAGNER: That's what they are known as, sir.

ASSEMBLYMAN PERSKIE: Thank you, gentlemen.

The New Jersey Education Association, Walter J. O'Brien, Director of Government Relations. Is Mr. O'Brien present in the Chamber?

(not present)

We also have James Reilly the Research Director and Richard Moore, the Associate Research Director listed. Gentlemen, if you have a written statement, please present it to the staff and please be kind enough to summarize it orally.

R I C H A R D M O O R E: Mr. Chairman, Members of the Assembly Tax Committee, my name is Richard Moore. I am Associate Director of Research for the New Jersey Education Association. We thank you for this opportunity to address you today on the subject of Governor Byrne's Tax Program. Walter O'Brien had hoped to be here but he had to be downstairs with the Labor Committee, so he expresses his regrets.

As you are well aware, I am certain, the N.J.E.A. throughout its history has been intimately involved with every step in the struggle to get increased and improved school finance in the State of New Jersey. The Association has either led, or been in the forefront of every major campaign, not only to win a more thorough and adequate support for education but also for the necessary taxes to support the public school needs.

The NJEA Delegate Assembly has maintained the Association's traditional policy in support of broad-based taxes to provide increased state support for public education. NJEA continues to be on record for: "either a general sales tax (with food and drugs exempted) or a personal income tax, or a combination of both, or such other taxes as may produce the amount (of funds) required."

Under this mandate, NJEA campaigned for such programs as Governor Hughes' "shared cost" school aid plan and income tax in 1965 and, when that failed, for the compromise increased foundation aid plan and sales tax in 1966. NJEA worked for the 1968 recommendations made by the State Aid to School Districts Study Commission and pressed thereafter for the full funding of these basic "Bateman/Tanzman" formulas, which finally will be achieved in the 1974-75 budget year.

In 1972, NJEA responded to the recommendations of the State Tax Policy Commission. The Association sought amendments for salvaging the inadequate "state funding" proposal offered by Governor Cahill, in hopes of finding a way to maintain school quality throughout the state, guarantee the full educational opportunity mandated by the **Robinson v. Cahill** decision, and win agreement in the Legislature for the tax reform measures. The 1972 proposals never resulted in legislation adequate to warrant support by the major education groups. An all-out effort to win passage of school finance and tax reform proposals never materialized during the 1972 special session of the Legislature.

Earlier this month, the NJEA Delegate Assembly adopted resolutions expressing Association support for the general concepts of the school finance and tax reform proposals of Governor Byrne.

On June 10 the NJEA testified before the Joint Education Committees of the Legislature. At that time we expressed the Association's general support of the Proposed Public School Education Act of 1974 (S-1256 and A-1863). We proposed some amendments that we believe will clarify and strengthen the proposed legislation.

It is in that same spirit of general support and cooperation that we now offer for your consideration NJEA's observations and analysis of some of the tax proposals that have been offered.

Thank you, gentlemen.

J A M E S R E I L L Y: Good afternoon, my name is James Reilly, N.J.E.A. Director of Research, and I would like to pick up the presentation where Mr. Moore left off.

While the purpose of this hearing is to solicit opinions relative to the Administration proposals, we believe that press of events makes it imperative that our opinions of other recently introduced tax reform proposals be voiced as well. In the course of my comments, I will make reference to school funding plans which are not a direct concern of this committee. However, public school revenue raising schemes are so inextricably intertwined with public school revenue distribution schemes that such is unavoidable. It is critical that the Committee be aware of the implications of tax reform and revenue proposals as they impinge school funding.

Comments on the proposal offered by Senator Russo and Assemblymen Doyle and Newman. It is obvious that an immense amount of thought and hard work have been invested in this proposal, and that it is a sincere effort to deal with the challenges posed by the need for both tax reform and an adequate response to the thorough and efficient mandate. These gentlemen are to be highly commended for their courage and diligence. We do, however, wish to mention some questions and concerns we have in relation to the proposal.

We wish to take issue with the comment in the proposal that the State of New Jersey is "more than satisfying our

total obligation" in respect to education, and that educational expenditures need not therefore be increased. It is stated that New Jersey, with the 5th highest per capita income in the United States, has the 3rd highest per capita expenditures for education. These are dollar figures and are misleading. Percentage of personal income expended for education is a much better measure of effort, or sacrifice, in the interest of thorough and efficient education for the children of New Jersey. Per pupil expenditure for education in New Jersey constitutes 4.8% of personal income per pupil, compared to a national average of 4.7%. New Jersey's school funding effort is clearly average.

The plan proposes tax rates of \$1.50/hundred for residential property, \$2.50/hundred for business property over \$50,000, and states that the \$1.50/hundred residential property tax rate is 25% less than the 1973 statewide average of \$2.03/hundred. But it is only 21% less than the 1974 statewide average of \$1.89/hundred. While rate relief would still be provided to many residential property tax payers, it is critical to point out that taxpayers in any district spending more than the state support levels discussed by the plan would pay a rate higher than \$1.50/hundred if they desired to maintain their program. A few examples illustrate this point:

TABLE 1

Property Tax Rates Necessary to Maintain Current Program in Certain Districts During 1975-76 School Year Under Russo-Doyle-Newman Plan*

District	Current Expense [†] Cost/Pupil	Excess Current Expense Over Basic Support	Equalized Tax Rate Required (Including State Property Tax)
Englewood (Bergen)	\$2,150	\$650	\$2.20
Demarest (Bergen)	1,703	203	1.81
Ridgewood (Bergen)	1,791	291	1.98
Teaneck (Bergen)	1,893	393	2.04
Lower Cape May Reg. (Cape May)	1,732	232	1.82
Montclair (Essex)	1,848	348	2.05
Orange (Essex)	1,733	233	2.09
Hunterdon Central Reg. (Hunterdon)	2,136	636	2.56
West Windsor-Plainsboro Reg. (Mercer)	1,744	244	1.82
North Brunswick (Middlesex)	1,870	370	1.90

*-Assumes \$1,500/pupil base support.

†-1974-75 budgeted current expenses and equalized valuations.

Thus, taxpayers in a significant number of school districts, at least 25% -- perhaps 30 to 40% or more, would receive little or no property tax relief. Additional statistics clarifying this aspect of the proposal should be made available for study if the plan should come under serious consideration as an alternative to Administration

The plan proposes to make the initial tax rates permanent by amending the Constitution of the State of New Jersey to so state. It is apparently felt that such is the only tactic which will secure the approval of a basically distrustful public. This is a regrettable circumstance. But while the credulousness of the public is currently a grave concern, the Legislature should seriously consider the wisdom of an incipient policy which modifies our

most cherished and respected document, the ultimate repository of our social and political fabric, to accomplish ends which are more properly achieved through traditional statutory means.

Since a change in the State Constitution would be required in order to change State property tax rates, the plan apparently intends to rely on increases in ratables to provide for future increases in school costs. This may prove to be an inadequate solution. The rapidly rising rate of increase in value of ratables has slowed drastically, from over 13% in 1973 to about 8½% in 1974. If State wide property tax revenues prove inadequate, alternatives might include an increase in the sales tax or other "nuisance" taxes. Such measures are usually unpopular or damaging to the development and preservation of business and industrial activities in New Jersey or both.

We see in these considerations of the proposal a distinct possibility of future school funding problems at the State level. As before, local communities will attempt to remedy the deficiencies of the State. For a variety of reasons, citizens in local school districts vary widely in their willingness to financially support the public schools. As before, New Jersey could slowly slip into a pattern of wide inequities in resources available to each pupil. Such an event is obviously repugnant to the thorough and efficient provision of the New Jersey Constitution. It is thus apparent that the proposal does not constitute the thorough going-revenue reform so badly needed in New Jersey.

While a desire to reassure taxpayers is understandable, it appears to us that any proposal attempting to meet the State Constitutional mandate must guarantee that adequate revenues will always be available to fully fund educational requirements.

It should be noted that the plan takes per pupil expenditure figures from the Administration proposal which are, of course, a simulation based upon data contained in 1974-75 budgets. The revised school finance scheme would go into effect during the 1975-76 school year. If the plan is discussing 1974-75 expenditures, and this is not entirely clear, an 8% increase in expenditures, a rate mentioned in the proposal, would increase the \$2.4 billion cost to \$2.592 billion. This figure is consistent with estimates of pupil population and expense obtained from the Office of Management Information which indicate a 1975-76 basic school current expense cost of \$2.42 billion plus compensatory education, vocational education, post high school student education, debt service, and capital outlay. The \$195 million increase, which may be a modest estimate during one of the worst inflationary periods of this century, will quickly eliminate most of the \$215 million surplus.

Since the proposal does not address itself to the problem of municipal overburden or place restraints on property taxation for other municipal and county purposes, there seems to be a distinct possibility that the purported property tax "relief" will quickly disappear, leaving the average citizen more disgruntled and angry than ever.

The property tax, upon which the plan places such heavy reliance, is, as has been stated many times, both regressive and inelastic. Any revenue reform proposal which places heavy reliance upon property taxes will suffer these faults. The proposed homestead exemption for Senior Citizens would mitigate the problem for the elderly if available funds permit enactment.

Our examination of the plan's revenue projections give rise to concerns about the adequacy of estimates. Calculations based upon recently available 1974 apportionment valuations seem to indicate that the anticipated yield of the statewide property tax will fall more than \$90 million dollars short of projections

TABLE 2

Revenue Estimates — 1975

	<u>Russo-Doyle-Newman Proposal</u>	
\$1.50/hundred Equalized Residential Rate	\$1,022,245,740	\$ 890,291,978
\$2.50/hundred Equalized Commercial and Industrial Rate	761,876,295	798,979,981
Total	\$1,784,122,035	\$1,689,271,959
Difference		94,850,076

*-Based on 65-35% division of residential and business-industrial property. Note: 1974 apportionment valuations increased by the 1973 to 1974 increase of 8.4%. NJEA figures contain no provision for exemptions.

We have also noticed that the budget deficit estimate of \$200 million differs significantly from the Administration estimate of \$300. A larger than anticipated deficit could, combined with current inflationary increases, and other factors already mentioned, precipitate a budgetary crisis at the very inception of the plan.

Further, if the \$1,500/pupil figure referred to earlier is intended to be the support level during the 1975-76 school year, perhaps 40% of all school districts would experience either reductions in program or higher property taxes. If a \$1,400/pupil figure, also mentioned, is adopted, 50% or more of the school districts in the State could suffer program reductions.

It would thus appear that, while the distribution scheme is incomplete, the plan could lead to "leveling down" of some of the better educational programs in the nation to a level currently exceeded by 35%, or more, of school districts. Thus, many of the State's school districts could suffer damage to their educational program. NJEA views this possibility with alarm.

Of course, the proposal is presently incomplete and NJEA must therefore reserve comment, aside from the few questions we have raised, until the entire proposal is made available.

Comments on the proposal offered by Senator Bedell and Assemblyman VanWagner. The tax reform-school finance proposal put forward by Senator Bedell and Assemblyman VanWagner is, again, a genuine and positive attempt to find adequate and workable solutions to the myriad problems with which the State is currently confronted. We commend these gentlemen also for their hard work, sincerity, and the thoroughness of their efforts. Again, we have certain questions and concerns which we feel constrained to mention. The proposal is similar to the Russo-Doyle-Newman proposal in respect to revenue sources. Many of the questions we have raised previously therefore apply to this plan as well. This plan differs most notably in that it relies entirely on the property tax for new revenue, and it specifies a school finance scheme based upon full state funding.

The plan proposes statewide property tax rates of \$1.75/hundred on residential property and \$2.00 or \$2.25/hundred on business and commercial property. It thus causes the burden of taxation to fall a little more heavily on the homeowner. In addition, the plan eschews additional business oriented taxes suggested by the Russo-Doyle-Newman plan.

This plan also fixes statewide property tax rates by amending the State Constitution. We have already stated our grave concerns about this measure.

This proposal is somewhat more regressive and inelastic than the Russo-Doyle-Newman proposal in that it places even greater reliance on the property tax, and greater emphasis on taxation of the homeowner. Further, this

proposal envisions no relief for the elderly, the disabled, or low-income persons, other than presumed continuation of existing senior citizen and veteran exemptions.

This plan also makes no adequate provision for increased revenues which will be needed to fund future expenditures. Further, this proposal makes no visible provision for municipal overburden problems, and our concerns about rapid disappearance of purported property tax relief thus apply.

We are pleased to note that this proposal mandates that sending districts not part of regionals either operate or consolidate. A stronger mandate for consolidation would be even better.

This proposal appears to significantly restrict the concept of local control of the operation of local school districts. Pupil support levels would be rigidly fixed and every local capital outlay would in effect have to be approved by the Legislature, and would receive such approval only if given "first priority" status, unless unanticipated surpluses became available for second priority projects. Vocational education facilities support would apparently be entirely taken away from local high schools and restricted to county vocational schools. NJEA seriously questions both the practical wisdom and political feasibility of such measures.

This proposal specifies a five-year "phase-in" program for new State funds in low spending districts. Five years is much too long to wait for the thorough and efficient education demanded by the State Constitution, and a much shorter period would be more appropriate.

We noted in respect to the Russo-Doyle-Newman proposal that taxpayers in many districts would find themselves paying more than the \$1.50/hundred rate in order to maintain current programs. The same is true of this proposal, only more so because the residential rate is higher. Taxpayers in approximately 33% of school districts currently pay less than \$1.75/hundred in equalized taxes - they would experience an immediate property tax increase. Again, taxpayers in any district spending more than the State allotment would be obliged to impose a rate higher than \$1.75/hundred in order to maintain their program.

It is, in fact, in the area of per pupil funding that we find this proposal most disconcerting. Table 3 compares current expense expenditure estimates, excluding vocational education, based upon figures obtained from the Office of Management Information, with funding levels stated in the proposal.

TABLE 3
Revenues Required to Fund Current Expense Cost: 1975-76
(Vocational Education Excluded)

<u>Grade Level</u>	<u>Estimated 1975-76 Enrollment</u>	<u>Proposed Current Expense Cost Per Pupil</u>		<u>Current Expense Cost (in millions)</u>		<u>Difference</u>
		<u>O M I † Estimate</u>	<u>Bedell- VanWagner Proposal</u>	<u>O M I † Estimate</u>	<u>Bedell- VanWagner Proposal</u>	
Kindergarten	111,000	\$ 700	\$1,000	77.7	111.0	(33.3)
Grade 1 - 6	623,000	1,500	1,000	934.5	623.0	311.5
Grade 7 - 8	227,000	1,700	1,000	385.9	227.0	158.9
Grade 9 - 12	454,000	2,000	1,500	908.0	681.0	227.0
Special Education	28,000	3,000	2,500	84.0	70.0	14.0
Ungraded	18,000	1,700 (est.)	1,500*	30.6	27.0	3.6
Total				2,420.7	1,739.0	681.7

*-Assumption

† - Office of Management Information

The discrepancy between normal projections and the proposal is immediately apparent. The discrepancy would require additional local property taxes which might average as much as \$0.75/hundred across the State if existing programs are to be maintained. We may thus be talking about an average residential school tax rate of \$2.50/hundred. More than 80% of all school districts currently pay a lower school tax rate. Please note that additional expenditures required in low spending districts in order to meet the thorough and efficient mandate were not considered in the Office of Management Information estimates.

This proposal could bring turmoil to many school districts in New Jersey. Taxpayers in some districts, particularly where large increases in municipal taxes occur, will balk at approving the additional taxes needed first to maintain current programs. Thus, some of the best educational programs in New Jersey, and indeed the nation, will begin the process of "leveling down." Some very good and painfully constructed programs may be ruined. We predict that the public reaction to this process will be seriously negative when its implications are fully realized.

Citizens will rally to the support of the schools in some districts, as some always do, while others will do less. Thus, as previously stated, the drift backward toward wide inequities will begin. It is therefore likely that this proposal will fail to meet the thorough and efficient mandate.

NJEA doubts that this proposal is an adequate response to the mandate of the Supreme Court. Indeed, the proposal gives rise to serious concerns about maintenance of quality education in the State of New Jersey.

Comments on Administration Proposals. Finally, the NJEA Delegate Assembly has endorsed the general concepts of school finance and tax reform proposed by the Administration, subject to certain considerations, including a graduated personal income tax and a business stabilization tax. NJEA has long been on record as supportive of any broad-based tax or combination of taxes which will provide an adequate base for financing the public schools. Taxes which take cognizance of ability to pay are preferable to those which are regressive, and the Administration tax scheme is the most equitable in our opinion.

NJEA is pleased to note the Administration has included a "circuit-breaker" provision in the plan. This provision limits the percentage of personal income which may be paid in property taxes among lower income households, and thereby makes the total tax structure of the State less regressive.

The Administration is to be commended for directly addressing the serious municipal funding problem in our State in a context completely apart from school funding legislation. The two concepts can and should be considered. The graduated income tax is a progressive tax and significantly more elastic than the local property tax. It is thus more equitable and makes better provision for future expenditures. Not having extensive data on levels of personal income in New Jersey available to us, we must accept the revenue projections as accurate.

The Business Stabilization tax appears to be a fair method for preventing "windfall" tax savings for business and industry in some municipalities. Present "tax havens" appear to be largely eliminated.

The NJEA Delegate Assembly has placed itself on record as being strongly opposed to "... limits that are arbitrary restraints on amounts of necessary spending or tax sources. Any limits on increases in spending must be flexible enough to accommodate future increases in the cost of living, efforts to upgrade the quality of staffing and programs in schools, sudden enrollment growth or decline, and an appeals procedure for adjustments under the Commissioner of Education." We are thus concerned about the apparently arbitrary 6% limit imposed upon local property taxes to be imposed after the second year of the program. Such limits are not necessary in view of declining local property tax rates. The 1976 state-wide average equalized school tax rate has declined 6.9% since last year, and 10.8% since 1971. However, if political considerations demand that limits be imposed, NJEA feels that such limits should provide for the worst possible situation; i.e. local rates do not increase at all, or even

decrease. The local property tax based portion of the budget should be allowed to increase by an amount equal to the greater of (1) the increase in the Consumer Price Index or (2) the average state-wide increase in educational costs, currently somewhat more than 8%. NJEA recommends, therefore, that the proposed annual limit on local school tax rate increases be set at 8% or the increase in the Consumer Price Index, published by the Bureau of Labor Statistics, whichever measure permits the percentage increase which may be required.

We have noted that the Administration proposal appears to make scant provision for districts in which unexpected enrollment increases precipitate budgetary crises. The pupil population of Union Township in Ocean County recently tripled in one year. We urge that provision be made for funding problems in districts which experience unanticipated enrollment increases.

All state aid is apparently to be calculated on the basis of actual figures for the year previous to the year in which aid is to be paid. We urge that funding be restored to a current basis and the proposed one year lag eliminated where possible. Such a change would require re-examination of provisions for districts with expanding or contracting pupil populations.

We are aware that the concerns about school tax rate increases reflect the fear of many that large increases in school tax rates will soon eliminate any property tax "relief." Such a view fails to give sufficient credit for fiscal responsibility to the many dedicated citizens of our State who sit on local school boards, boards of school estimate, and municipal governing bodies. NJEA can certify through painful experience that our school boards are extremely reluctant to raise local property tax rates.

The income tax proposal, as presently written, appears to leave open the possibility that a retired person moving to a distant state which does not have a reciprocal tax agreement with New Jersey might have to pay income tax in both states.

The income tax proposal allows the Director of Taxation to order forwarding of salary withholdings on a semi-monthly basis. A plan congruent with the monthly forwarding requirements currently employed by the Federal Government would be significantly easier on employers.

The proposed 6% penalty on delinquent payments appears inadequate to encourage prompt payment in light of current interest rates.

We wish to point out that we do not yet know exactly how the limit on local school tax rate increases proposed by Governor Byrne will operate in actual practice. The general intent outlined in the proposed legislation appears to stipulate a fixed percentage limit on rate increases in districts above the guaranteed equalized valuation, and somewhat greater flexibility for less wealthy districts. However, we have heard several versions of how the limit would actually work, and preliminary calculations based on our present information have caused us some alarm. Additional information clarifying the impact of the proposed limit on local school tax rate increases should be released as soon as possible.

In general, and subject to the reservations stated, we are inclined to feel that the Administration proposal is a responsible and comprehensive response to the problems at hand, which brings about genuine tax reform and establishes the basis for an adequate response to the thorough and efficient mandate. We have some concerns about the school aid distribution portion of the program, which we have voiced before the Joint Education Committee.

NJEA is continuing to study all tax reform proposals in cooperation with the National Education Association and recognized authorities in the field of taxation and school finance. We will have more to say as the situation develops.

Thank you very much for your kind attention.

ASSEMBLYMAN PERSKIE: Does any member of the Committee have any questions? Senator Martindell?

SENATOR MARTINDELL: I was very interested in what you said about the municipal overburden part, which is a part that directly affects education. It is your point that tax relief will disappear if this isn't addressed.

MR. REILLY: It would appear there is nothing in the proposals, other than the administration proposal, which would permit erosion, in effect, of the property tax savings which would result from this kind of a reform, so that property tax rates could rapidly escalate to present levels or higher and there would be a statewide income tax as well. This would have a severe effect on the leeway taxation that would be allowed for schools to operate above the minimum programs stated in both proposals, which we also feel are lower than they should be, or could be.

SENATOR MARTINDELL: Despite the fact that it would not bring relief, it seems to me from studying it yesterday - and I am still studying - that, despite what the authors say, it does put the burden on the middle income taxpayer. Have your figures shown that?

MR. REILLY: I would be reluctant to state, on the basis of the amount of study we have been able to do in the short time available, that the alternative plans to the administration's put any greater burden on middle income taxpayers than currently exists.

ASSEMBLYMAN PERSKIE: Are there any other questions?

SENATOR RUSSO: Mr. Reilly, did I understand you, or perhaps one of your colleagues, to say the N.J.E.A. was in favor of extending the sales tax to food and drugs?

MR. REILLY: We do not have a policy that specific, Senator. Our official policy is that we are in favor of any broad-based tax, or combination of taxes, preferably progressive rather than regressive, ~~that~~ will accomplish

necessary funding for public schools.

SENATOR RUSSO: In your comments concerning New Jersey being 5th highest in per capita income and third highest in expenditures, you mentioned that you did not feel - as I understand - that we are necessarily spending a sufficient amount on education, is that correct?

MR. REILLY: Well, we simply wanted to point out that there are several measures of effort and we would feel that a somewhat better measure of effort is the percent of personal income spent on education. So, I think there are a number of these measures and we could debate them at some length. We did want to put in a brief disclaimer.

SENATOR RUSSO: You referred, of course, to the statement in our proposal that we are spending enough. Are you aware of the fact that the Governor has also taken the same position?

MR. REILLY: I was not aware that the Governor has stated specifically that we are currently spending all that needs to be spent. I think we would take some exception to that.

SENATOR RUSSO: I think he did.

The next question: You point out that with regard to the school tax rate, based upon 1973 rates of \$2.03 per hundred as a statewide equalized figure, this year it is 21% less because the rate has dropped to \$1.89 per hundred. Isn't it correct that the reason for that is because the State - the administration - has infused some \$192 million in new funds to education and that has caused that school tax rate to drop?

MR. REILLY: I would assume that would be part of the reason.

SENATOR RUSSO: The next figure you mention concerns me, because if you are correct it causes me some puzzlement.

You said that there is an 8½% rise in ratables in 1974.

MR. REILLY: According to the figures that we have obtained recently.

SENATOR RUSSO: Well, our fiscal analysts tell us that the figure is 12.9% in 1974. Could I ask you the source of your figures, just in case you are right?

MR. REILLY: I believe that the source of our figures would be the State Division of Taxation. I would have to consult with the individuals on our staff who are responsible for collecting that kind of information to determine if an error has been made on our part.

SENATOR RUSSO: All right, we will check ours also and maybe you can do yours as well.

MR. REILLY: Fine.

SENATOR RUSSO: You pointed to the figure per pupil. It is clear to you, is it not, Mr. Reilly, that under the proposal that we presented, the total sum raised for education is, in fact, even higher than that proposed under the Governor's proposal?

MR. REILLY: I would have to recheck all of my notes. I will not dispute that statement right now.

SENATOR RUSSO: You wouldn't dispute that statement? That is all I have to ask. Thank you, Mr. Chairman.

ASSEMBLYMAN PERSKIE: Thank you, Senator.

Thank you very much, Mr. Reilly. We appreciate your testimony.

MR. REILLY: Thank you, sir.

ASSEMBLYMAN PERSKIE: The next witness will be Mayor Martin Vaccaro of Allenhurst.

I shall not, at this time, impose any time limit on any of the witnesses, other than a request by the Committee that each witness exercise - and this is certainly not addressed to the Mayor just because he happens to be

next - some measure of self-control in order that we may accommodate everybody who has come today to testify.

Thank you very much for coming, Mayor, we appreciate it.

M A Y O R M A R T I N V A C C A R O: Thank you.

I am Mayor Martin Vaccaro of the Borough of Allenhurst.

I am here as Chairman of the Shore Ad Hoc Committee of Mayors on Tax Reform Study.

I am here today to address you at the urging of Rev. S. Howard Woodson, Speaker of the Assembly. A contingent from our Ad-Hoc Committee met with Rev. Woodson last Tuesday, June 18th, to discuss our analysis and recommendations on the various tax reform plans being offered to the Legislature. Upon hearing our presentation, Rev. Woodson strongly urged us to make our position known to you by testifying here today.

In our approach to tax reform we must not lose sight of the fact that the mandate for tax reform stems from the ruling of Superior Court Judge Theodore Botter that the present system of public school financing is unconstitutional. He found fault with the property tax system for raising funds and with the state aid formula for allocating funds to the school districts. He said "The system discriminates against pupils in districts with low real property wealth, and it discriminates against taxpayers by imposing unequal burdens for a common state purpose". He further ruled that it was the duty of the state to finance a thorough and efficient system of education out of state revenues raised by levies imposed uniformly on taxpayers of the same class.

It is now a matter of history that the New Jersey Supreme Court and the U.S. Supreme Court have upheld the Botter decision.

The mandate placed upon the legislature is to devise a system of public school funding which will eliminate the inequities cited by Judge Botter. There is no pressing need to delve into the financing of anything but our public school system at this time. All efforts at tax reform in other areas merely detract from and complicate the basic problem facing the legislature.

The basic thrust of the Botter decision is that state support of public schools must provide for a thorough and efficient education for all pupils regardless of the financial resources of the community in which they reside. Furthermore, that the system of taxation for raising the needed funds shall be based on ability to pay. We must not lose sight of these objectives.

Any plan which would impose a state-wide tax on residential property would be regressive and would not be based on ability to pay. Persons in the lower income brackets traditionally pay a higher percentage of income for their homes than those in higher income brackets, consequently, their property tax is a greater percentage of income. It must also be recognized that ownership of property is not a valid indication of income or ability to pay taxes. Many homeowners are living on fixed retirement incomes or are so overburdened with mortgages and other financial commitments that they are unable to pay additional taxes.

The wealth of a community cannot be measured by the ratio of equalized valuation per public school pupil. Any levy or distribution of funds based on this ratio has no correlation to wealth or

need. This is evident from the tabulations for communities in Monmouth County shown in Exhibit 3. The column titled "Current Property Tax Burden" is the residential tax burden expressed as a percentage of personal income. It is derived as follows:

$$\frac{(\text{total property tax levy}) \times (\% \text{ residential property})}{(\text{avg. personal income per family}) \times (\text{number of families})} \times 100$$

This ratio is, in effect, a measure of the percentage of personal income paid as property taxes by the individual taxpayers of a community.

We have deliberately excluded the commercial, industrial or business portion of the tax levy from the total to be credited as taxation for the property owner because, frankly, he doesn't pay that, someone else pays it. This will average out for communities that have a higher ratio of commercial-industrial property.

It will be noted from Exhibit 3 that there is no correlation between the ratio of Equalized Valuation per Pupil and the Property Tax Burden ratio and an insignificant correlation between this tax burden ratio and the average income per family.

For the reasons cited, we are opposed to any Tax Reform Plan which would levy or distribute funds on the basis of equalized valuation of property per public school pupil.

If additional funds are needed to comply with the mandate of the courts, they should be levied through an equitable graduated income tax and they should be distributed to the school districts on a uniform dollars per pupil basis, or weighted per pupil basis.

The graduated income tax feature of Governor Byrne's proposed tax program appears to be an equitable

one and we therefore do not object to it. However, we are opposed to the business/commercial statewide property tax feature of his plan. We are also opposed to his distribution of funds on the basis of equalized valuation per pupil because this is, in essence, placing a double burden on communities with a high burden of equalized valuation per pupil. They are paying a high income tax and they are also being penalized a second time because the ratio in their town happens to be higher.

Our Committee has computed the equalized property tax rates which would result for various communities in Monmouth County if the State funds were to be distributed on the basis of \$1,000 per public school pupil. That was an arbitrary figure. It is a figure which is a fairly reasonable one and it is a figure from which one can derive the impact of a different allocation rate.

The calculations are listed in Exhibit 2 along with the equalized tax rate which would result from adoption of Governor Byrne's plan and the plan proposed by Assemblyman VanWagner, et al, in bill A-1644.

It is wrong to attempt to cure all the financial ills of urban communities through subsidies for school costs, because it is obvious that there is no relationship between many such ills and school costs.

The other problems should be attacked by analyzing the causes and addressing the cure to the cause.

There are a number of federal and state programs which are intended for these purposes, such as Block Grants, Clean Cities, Urban Renewal, various environmental impact subsidies. There may be expansions or variations of these subsidies needed for communities, depending upon the plight they find themselves in.

The mere fact that the local property tax rate varies from community to community should be no cause for concern.

Individual towns are structured differently and require different services. The tax rate goes up or down accordingly.

Any drastic increase in tax rates of the more affluent communities will have a detrimental effect on the families in the median and lower income brackets. The result will be a migration of such families to communities with a more favorable tax rate, thereby further stratifying the communities on the basis of income level. This is contrary to basic constitutional objectives.

We take note of the fact that as a prerequisite to any tax reform program, it is the duty of the Legislature to define thorough and efficient education in terms that are sufficiently specific to permit assignment of costs. This has not been done to date.

That is the end of my statement. You will notice that I have rather elaborate and extensive tables which will give you a picture as to the effect and the impact of various proposals that are being presented to you for consideration. (see page 72 A.)

ASSEMBLYMAN PERSKIE: Thank you, Mayor. Mindful as I am of the clock, I would like to ask you two questions. One is with reference to your suggestion that we apportion the school aid formula on an equal dollar value per student basis, I believe.

MAYOR VACCARO: That's correct.

ASSEMBLYMAN PERSKIE: Does that not imply that which the court specifically refused to find, to wit: that equal education means equal dollar expenditure?

MAYOR VACCARO: Sir, you are losing sight of the fact that the funds will be raised through income tax and that's where the burden is shared equally.

ASSEMBLYMAN PERSKIE: I appreciate that and I appreciate that that formula would solve a portion of

the theory behind the decision. There is no question about that, at least with respect to the property tax. What I am asking is whether you feel comfortable with the assertion that an equal dollar expenditure per student throughout the State will satisfy the constitutional mandate of equality in the thoroughness and efficiency of the education?

MAYOR VACCARO: I do, unless we can come up with something better. Now I feel that the Governor's plan is certainly no better. The Governor's plan uses an arbitrary equalized valuation per pupil and that has absolutely no relationship to ability to pay. I think my tables will prove my point.

ASSEMBLYMAN PERSKIE: All right. The second question I have deals with an area that you didn't cover in your statement but, in which, as a Mayor, I feel you might have some expertise. As you know, a part of this proposal contemplates, by statute and constitutional amendment, a limitation on the rise in effective tax rates for municipal and county purposes that has been specified, at least at the moment, at 6%. I wonder if you can give us, in the first instance, the recent experience of Allenhurst with respect to your effective tax rate increases over the last several years and, second, whether or not you think Allenhurst could live within such a limitation.

MAYOR VACCARO: We are always in a very vulnerable position - all communities are. There are a number of factors over which we have no control, that can, very drastically, change the level of the burden on the community. As an example--

ASSEMBLYMAN PERSKIE: We understand that. What has been your experience in the last several years with respect to your effective tax rate?

MAYOR VACCARO: I was going to give you an example. As an example, we recently-- Last year we were assessed for additional tuition for our students. I should have mentioned this; we do not have a school. All our students are sent to a receiving district. So, the community - Asbury Park - recomputed its school costs and billed us a substantial amount for prior school costs.

ASSEMBLYMAN PERSKIE: I am talking about municipal purposes.

MAYOR VACCARO: Oh, municipal purposes.

ASSEMBLYMAN PERSKIE: Yes.

MAYOR VACCARO: It would be very difficult for me to give you an opinion because our community is almost completely developed. We have no vacant land.

But I can certainly see that in a community that is developing - a community that is growing - this would pose a rather difficult burden on them. You would have influx of large populations. You could have industry move out. There could be a number of factors that would require additional taxation. For example, perhaps sewer lines would have to be extended; new roads constructed--

SENATOR MERLINO: There would be additional ratables. You would only have to extend them if you had more ratables.

MAYOR VACCARO: But you don't get the ratables until some time later.

ASSEMBLYMAN PERSKIE: Thank you. Does anybody else on the Committee have any further questions?

(no questions)

Mayor, Thank you very much for your testimony.

The next witness will be Brian Baxter, the Business Administrator for the City of Trenton.

B R I A N B A X T E R: Thank you very much, Mr. Chairman, Members of the Committee. I must apologize for not having a witten statement. I would like to take

the opportunity to present that to you tomorrow or the next day when we get a chance to get it typed up.

ASSEMBLYMAN PERSKIE: It will be included in the transcript.

MR. BAXTER: Thank you very much. I am here today representing Mayor Holland, who is with Mayor Hart, Mayor Gibson and a number of other Mayors in San Diego this week at the U. S. Conference of Mayors.

SENATOR MERLINO: At the taxpayers expense?

MR. BAXTER: Yes, at the taxpayers expense, as was discussed in the papers this morning. I am the guy who got left behind to do the work.

Let me say that we, in Trenton, appear before you today as a very strong advocate of both comprehensive tax reform and better education financing in the State.

We have had a chance to look at the Administration's proposal in its entirety and although we have a few suggestions to make to the Committee today, we feel very strongly that the Governor's approach to the problems of both education financing and tax reform are a very, very good approach.

So, I want to make it clear that while we have suggestions to make that we think may be of use to the Committee, we are very, very strong supporters of the income tax, as the most fair tax, and of the municipal overburden portions of the Governor's proposal.

I don't want to give anyone the idea that since we make some suggestions and comments that we don't think that the Governor's approach is the best overall approach.

ASSEMBLYMAN PERSKIE: Mr. Baxter, I wonder if I might just interrupt to ask you, when you are covering your specifics, if you would please address yourself to the same question that I just asked Mayor Vaccaro with respect

to the experience of Trenton and the viability - as far as Trenton is concerned - of the proposed 6% limitation on municipal--

MR. BAXTER: Assemblyman Perskie, maybe I could start there. This is an area where we felt we had something to contribute to the Committee.

In communities like Trenton, Newark, East Orange, and other places where you have declining ratables, or almost the same ratables from year to year, and you also have inflation - we have to pay our employees a fair wage and if the inflation is increasing 6%, 7%, 8% a year, we need to be able to pay our employees an additional 6%, 7%, 8% as that inflation occurs - and have to meet the cost of electricity, fuel, postage, and this kind of thing, the cap of either 6% or 3% is really irrelevant in this sense, in communities - the older central cities - only about 40% of the total revenues in the budget come from the property tax. So, let's say you want to give the police and firemen a 6% increase, next year in 1975, you would need to increase your property taxes, if the other revenues were the same, by 14% in order to pay for that 6% increase for the cops and firemen - or the teachers, or you name it.

So, we support, on balance, the cap, or the lid, on the property tax because we feel that the taxpayers of places like Trenton around the State ought to have protection against having the government come back in a few years and make that money up again, which would most certainly happen. We think that the taxpayers ought to be protected so that they can continue to invest in their homes - they can fix up, they can spend money on their homes without getting hurt.

We are not in a position today to take--
We don't care whether it is 3% or 6%, we are saying to

you that either one is so far out of line with the needs in a place where you don't have increasing ratables and where a large percentage of the revenues are fixed - are non-property tax revenues - that the Committee is going to have to put some kind of a lid on property taxes. If the people are going to be protected from large increases in the property taxes in the next few years, there has to be some kind of other formula, grant, or some kind of other revenues coming from the State to municipalities.

We are going to be wards of the State under this program at a cap of 6% or 3% and we think that what is going to be needed is some kind of formula so that we can raise our total budgets realistically, justifiably, year to year. We think the cap is a good idea but there is going to have to be some kind of other municipal aid formula, some kind of grant program to make that up.

SENATOR MERLINO: Mr. Baxter, you don't feel it is irresponsible to put a cap on then do you?

MR. BAXTER: No. We think it is a protection for the taxpayer.

SENATOR MERLINO: I'm glad the Mayor is in San Diego and you are here. The Mayor issued a statement that it was rather irresponsible to place a cap of even 6% on this. Understanding that there will be a proposal calling for block grants which would take up the slack, just as you have explained it here -- of course, a cap of even 3 percent really wouldn't damage or hurt the cities like the City of Trenton or any of the larger cities, would it?

MR. BAXTER: No. A 3% cap as opposed to a 6% cap would only make that block grant greater from the State. If that is going to be financed through the income tax, then the system is better.

If I could interpret for the Mayor for a

moment--

SENATOR MERLINO: No, you speak for yourself.
You are doing very well.

MR. BAXTER: I think what the Mayor meant - and I would agree with him - was that if you have a cap without some type of other formula grant on an annual basis then it wouldn't work.

SENATOR MERLINO: So it's just irresponsibility when you say things and you don't know all of what you are saying?

MR. BAXTER: Well, I wouldn't--

ASSEMBLYMAN PERSKIE: That's a leading question and as an attorney I would advise you not to answer it.

MR. BAXTER: I would like to say also, Senator, that we talked about two different block grants in this proposal. One was the block grant that was discussed very early by the Administration which would reduce further the overall taxes of the older cities. That would reduce it, as I understand Trenton's rate, maybe by another 10 or 15%. We obviously support that kind of thing because of the very high taxes that people in the older central cities have had to pay for all these years. But no matter how far down the tax rates of some communities go, you are still going to have the problem even if you include the initial overburden - the original municipal grant that was included in the Governor's proposal - even if you include that, you are going to have to have a second kind of formula that kicks in year in and year out to give municipalities that don't have ratable growth some opportunity to pay for their services. Otherwise, what is going to happen, in the not too distant future, as the Legislature takes a look at 1087 - the PERC Bill - is that, if we have a cap, let's say, of 6% and therefore the City of Trenton is able to offer to its policemen and

firemen and municipal employees, an increase of 2% next year - or 2½%, which is all we will be able to afford - we are going to be hauled in under PERC for unfair labor practices for refusing to negotiate in good faith, or we are going to have a strike, or something like that.

We are not going to be able at all - I am talking about something that could happen in February - to operate.

ASSEMBLYMAN PERSKIE: Is that really a fair comment? In the first place, the reference to a strike, it seems to me, would be misplaced and in the second place the issue would be, before any such hearing, the question of negotiation in good faith. If in fact there were such a statutory and/or constitutional limitation, that wouldn't affect Trenton's good faith, would it?

MR. BAXTER: Well, that is something that would be hard to say.

ASSEMBLYMAN PERSKIE: Obviously.

MR. BAXTER: I think that is an important concern on our part, as the PERC legislation goes through at the same time. But one way or the other, it is important that we pay fair wages. Our employees receive so much less for the same work as people in County government, State government, and the surrounding municipalities that we have to pay 6%, 7%, 8% per year just to keep the gap between our salaries and other government salaries the same.

ASSEMBLYMAN PERSKIE: O.K. We have a number of members of the Committee, Mr. Baxter, that have some questions. Mr. Brown, I think, was first.

ASSEMBLYMAN BROWN: Mr. Baxter, did I understand - I am not sure - are you in favor of a ceiling of any type?

MR. BAXTER: Yes. We think that the cap on the real estate taxes is protection for the taxpayer. It assures that the investment that needs to take place in those homes takes place. Otherwise the State or someone

is going to be faced with very expensive urban renewal costs later as we rebuild every home there that there is.

ASSEMBLYMAN BROWN: Are you saying that most of the Mayors are in favor of the 6%?

MR. BAXTER: I am speaking here for Trenton only.

ASSEMBLYMAN BROWN: Only for Trenton?

MR. BAXTER: That's right.

ASSEMBLYMAN PERSKIE: And then only for a part of Trenton?

MR. BAXTER: Well, we don't speak for the legislative branch, if that's what you are talking about.

ASSEMBLYMAN PERSKIE: Mr. MacInnes?

ASSEMBLYMAN MAC INNES: I don't want to keep harping on this but as I understand what you said, you are in favor of the cap as long as there is a municipal aid program.

MR. BAXTER: Absolutely.

ASSEMBLYMAN MAC INNES: Which takes up the necessary increases in Trenton's budget over and beyond whatever cap might be imposed?

MR. BAXTER: That's right. You can't have one without the other.

ASSEMBLYMAN MAC INNES: So, presumably--

MR. BAXTER: That's what would be irresponsible.

ASSEMBLYMAN MAC INNES: What cap would be imposed thereby on Trenton as it negotiates if it knows that any increase over a particular percent, whether it be 6 or 3 percent, is going to be picked up through a block grant program from the State from negotiating 13 and 14 percent increases?

MR. BAXTER: We have a proposal that is not in written form yet but the concept that we would like to suggest is that the amount of state aid - municipal aid from the state - would be tied to the average budget

increase across the State per capita.

In other words, if the average municipal budget across the state goes up 8% - as they have been, 8%, 9% 10% - the communities that have no ratable growth and that have pretty much static resident sources, be allowed to increase their expenditures by the state average, whatever that might be.

ASSEMBLYMAN MAC INNES: As an alternative to the percentage limit on the tax rate increase itself?

MR. BAXTER: Yes, we'd like to keep the property tax where it is because what has happened-- Once it is reduced as far as we can reduce it, one of the biggest problems we have in places like Trenton - I know Senator Merlino is very well aware of this - is that people just won't invest in their homes. We are having what I call a "dry rot" happening in places like Trenton and Newark and other places, where the homes are just not being repaired, not being fixed up. You are going to have a need to invest an awful lot of money in these homes in the future if we don't lift and keep lifted the property tax burden on these homes.

ASSEMBLYMAN MAC INNES: If you had the cap based on an allowable increase in budget based on some cost of living figure, or based on average budget increases, would you still tie your support to that kind of capping to some block grant or municipal aid program which would pick up automatically through the state some percentage of the increase in Trenton?

MR. BAXTER: I didn't follow that.

ASSEMBLYMAN MAC INNES: We have two things. I don't want to take up a lot of time, Mr. Chairman.

One, is the percentage limit on the tax rate increase, 3 or 6 percent.

MR. BAXTER: That's arbitrary, you can choose whatever you like.

ASSEMBLYMAN MAC INNES: The other is an increase that would be based not on the increase of the tax rate but, instead, based on a cost of living or on the average increase in budgets across the State. Let's say that is 8 percent.

MR. BAXTER: Right.

ASSEMBLYMAN MAC INNES: It would be one or the other, correct?

MR. BAXTER: We would like to have both.

ASSEMBLYMAN MAC INNES: You would like to have both?

MR. BAXTER: In other words, you would have a ceiling on what the property taxes could be raised each year, whether it is 3% or 6%. In either case, the City of Trenton and the other Cities of Newark, etc., are going to have to increase their budgets by, let's say, 8%. In order to get an 8% increase in Newark's budget, or Trenton's budget, you need to raise the property tax, for example, 20%.

ASSEMBLYMAN MAC INNES: Right.

MR. BAXTER: We can't possibly-- Three and six percent are so much below 20% that it is ridiculous.

ASSEMBLYMAN MAC INNES: It would be unconstitutional if the Governor's program went through, right?

MR. BAXTER: That's true.

ASSEMBLYMAN MAC INNES: So, you are in favor of the cap but you would see the difference and in this example it would be the difference between 8% allowable and the 20% you would have to tax in order to meet that?

MR. BAXTER: Right, we are against the 20%. The 20% is not fair.

ASSEMBLYMAN MAC INNES: But the remainder would be picked up by the State, is that correct?

MR. BAXTER: That's right. In a sense, Assemblyman, we have had in the past a series of emergency block grants that have done exactly what I am proposing, on a regular

basis. We had urban aid in 1969. We had urban aid in 1971. We had general revenue sharing in 1973. We an increase in urban aid for this year. We have had a hodge-podge of emergency, last minute, grants of the same kind I am talking about.

What I am saying is that we ought to put that under some kind of a fair formula basis, rather than forcing cities that don't have any ratable growth and that have static revenue to come back and plea to the legislature, every year, for survival.

ASSEMBLYMAN MAC INNES: So you would not see an end to the urban aid program in the event that the Governor's tax program went through as proposed, with its substantial drop in the effective tax rate for the city of Trenton?

MR. BAXTER: Absolutely. That's one of my major points.

ASSEMBLYMAN MAC INNES: Absolutely - yes or no?

MR. BAXTER: Absolutely I agree with you that there would be no way to have an end to aid programs for communities like Trenton, Newark, etc. I don't know that much about Paterson or Elizabeth.

We are not having any increase in revenue sources - or ratables. The ratables in Trenton have gone down in the last years. We have to raise the tax rate just to raise the same amount of money as we had last year because of expenditures.

So, until we have the same kind of ratable growth as some of the gentlemen here have been talking about - statewide-- I heard 12% mentioned here today and other figures like that. If Trenton had 100% of its revenues from property taxes and ratables were increasing by 12% a year, I could go to work somewhere else.

But the problem is that we don't have any ratable

growth and cities like Trenton are wards of the State now, on a hodge-podge basis. I am saying, if you are going to put a cap on we think it is a good idea because it protects the taxpayers but you are going to have to recognize that we are wards of the State and there is going to have to be some way of keeping us alive.

ASSEMBLYMAN MAC INNES: Okay.

ASSEMBLYMAN PERSKIE: Are there any further questions?

(no questions)

Thank you very much, Mr. Baxter, we appreciate your time and your testimony.

MR. BAXTER: Thank you.

ASSEMBLYMAN PERSKIE: Bernard Yarusavage?

Again, if there is a prepared statement - as I see there is, Mayor - we would appreciate it if you would give us a brief summary of the content of the statement which, I assure you, will be included in the transcript.

M A Y O R B E R N A R D Y A R U S A V A G E: Chairman Perskie, Ladies and Gentlemen of the Assembly, Ladies and Gentlemen in the audience, I thank Betty Wilson for her kind invitation to attend this meeting and to testify at these public hearings on the Governor's Tax Reform Proposal.

As a representative of the people of Clark, New Jersey, of the 22nd District, I must voice our protest against this series of bills that would create income taxes and place additional financial costs on our people.

We couldn't sent our Mayor to San Diego. We are a small town. The formula for reduction of property tax in our municipality by the proposed 23.1%, is unrealistic as our local school costs are 71% of our budget. Based on average income figures, the proposed income tax would cost the citizens more than \$500 each year.

ASSEMBLYMAN PERSKIE: Excuse me, Mayor, at this

point may I briefly interrupt to ask you what the average income of Clark is?

MAYOR YARUSAVAGE: \$15,000 as of the 1970 census.

ASSEMBLYMAN PERSKIE: And you conclude that that would cost your families \$500 a year?

MAYOR YARUSAVAGE: Yes, sir.

ASSEMBLYMAN PERSKIE: I just want to indicate - certainly you will be permitted to finish the rest of your testimony - that as far as the Committee is concerned that figure is substantially in error.

MAYOR YARUSAVAGE: The average income of Clark, sir?

ASSEMBLYMAN PERSKIE: No, the proposed income tax burden of \$500, based on that figure. You may proceed.

MAYOR YARUSAVAGE: This is a sizeable tax increase rather than a remedy.

This abominable tax plan is another attempt to take away home rule from the local municipalities. We, the elected representatives of the people, violently object to further erosion of local autonomy. I am certain that all of the 560 municipalities throughout New Jersey share this philosophy.

There are many phases of the tax proposal that have not been explained nor explored. I must present some of my comments in the form of questions, questions in the minds of our people.

Will the State negotiate one master contract for teachers' salaries?

Who will hire the teachers? Who will evaluate them, promote them?

Will teaching jobs also become political plums?

How will the State reconcile local school board indebtedness?

What will happen to financial commitments to regional school districts?

Will the State dictate methods of instruction?

Who will evaluate local school needs and annual budgets?

What will such outside evaluators cost? It is done by non-paid volunteers now.

Will educational researchers have to be employed to investigate new innovations?

Would we have any guarantee that these experts would be hired from within our State?

Do the new proposed omnipotent State agencies intend to equalize pay for all teachers with one uniform set of pay grades?

Does the State believe that higher teacher salaries mean quality education? In Newark, New Jersey, the teachers receive the highest salaries in the State and, yet, the Newark schools have one of the lowest ratings.

Under this new proposed system, the school district lines will be the State borders! The needs, wishes and inherent local problems are not the same and no fair means is provided to allow for adjustments.

We do need alternatives to the ever-rising costs of government. An income tax is not the only answer. Besides looking for new revenue sources, certain economies must be explored.

The income tax plan is not fair nor feasible. It shouts for help for 550 million dollars for the schools and hides the request for 190 million for welfare!!

There has been a careful avoidance by the Administration to mention how much it would cost to implement and maintain a State Income Tax. People will have to be hired to work as collectors, accountants, evaluators, investigators, prosecutors and there will be more money, tax money, spent for office space, printing and supplies, including many motor vehicles.

Some other suggestions that I would like to

submit to your Honorable Body would include, curb and cut State spending. Stop the creation of new executive positions, such as State Senator James Dugan's plan to expand the various commissions by some 2,000 people!! One of these is to enlarge the New Jersey Highway Authority by four members and then salary that Authority at \$34,500 per member.

Let's get the Port Authority out of the real estate investment and rental field and back into the transportation business.

Now is the time for constitutional amendments and possibly for a full constitutional convention.

Then such measures as the proposed spending limit could be imposed on the State of New Jersey, as outlined by the Federation of the New Jersey Taxpayers, and could be implemented in a realistic manner.

The entire tax structure could be overhauled to give us dedicated tax accounts instead of the uncontrollable sugar bowl we now call the State Treasury.

We need accountability and responsibility, not just a report-after-the-fact system.

The Constitution might be amended in the areas that have raised the question of constitutionality in the State Supreme Court and have forced a stand be taken as in the Botter Decision, which only implies that it is unconstitutional to use property tax money to finance public schools!

In any case, ladies and gentlemen, you owe an obligation to us, your constituents, to review all the factors involved. If you have reasonable doubt, as we do, that this tax package is not practical, not palatable and only a stop-gap measure and not a remedy, then you must reject it.

If you want assurances from the public-at-large, I challenge you to place the question of a State Income

Tax for New Jersey on the ballot as a public referendum question in November and let the people speak.

(applause)

ASSEMBLYMAN PERSKIE: Mayor, in the first instance, to respond to one of your comments--

MAYOR YARUSAVAGE: May I finish, please?

ASSEMBLYMAN PERSKIE: Oh, I'm sorry, I thought you were.

MAYOR YARUSAVAGE: No. On June 17, 1974 the Municipal Council of the Township of Clark passed a resolution which was forwarded to this Honorable Body and the Governor saying that they were unalterably opposed to State Income Tax. I will not read the entire resolution as you have copies of it. I would appreciate it being inserted into the record.

ASSEMBLYMAN PERSKIE: It will be.

MAYOR YARUSAVAGE: I would like, also, to read a statement on behalf of the Independent Laboratory Employees' Union of Linden, New Jersey.

ASSEMBLYMAN PERSKIE: Mayor, if you will, rather than read the statement, if you will--

MAYOR YARUSAVAGE: It is very brief, sir.

ASSEMBLYMAN PERSKIE: Proceed.

MAYOR YARUSAVAGE: Thank you, sir.

As President of the Union, I'd like to read the following statement: On behalf of the membership of the Independent Laboratory Employees Union, which is the bargaining agency for Exxon Research Engineering Company employees, I would like to voice our opposition to the income tax proposal.

We feel that such a tax would discourage new commercial enterprises from coming to New Jersey and might even have the adverse effect of causing some local industries to move out. The loss of jobs and employment potential would be disastrous for the working man and jeopardize

the economy of the entire State.

In the Linden area alone, as an example, the property tax rate would increase \$3.00 per hundred.

A state income tax would be a serious erosion of "take-home pay" and add another burden to the breadwinner without a guarantee of tax relief.

Homes with more than one wage earner, which have become a necessity in this inflationary economy, would be doubly burdened. Most of these working couples are putting their children through college at their own expense because the State of New Jersey has failed to provide sufficient means of higher education opportunities for its citizens. Do not add to their hardship of raising and educating their families.

There is a great concern that State take-over of education administration will mean the decline of quality education and political appointments of teachers, rather than on hiring based on qualification and local needs.

We urge you to postpone action on the income tax plan until a competent study can be made of the impact it threatens.

ASSEMBLYMAN PERSKIE: Mayor, first of all, with regard to your assertion that there has been a careful avoidance to discuss the administrative cost, if you had attended any of the prior meetings, you would have heard that discussed in detail. There is an appropriation in the Bill, 1875, in the amount of \$6 million which, it has been estimated, constitutes the administrative costs.

The second thing, with respect to the municipality of Clark in the County of Union, you indicate that an average income is in the neighborhood of \$15 thousand. According to figures that I have, the proposed income tax based on that income for a family of four with standard and average deductions is approximately \$275, as opposed to the \$500 figure that you mentioned.

Number three, according to figures that I have

the residents of Clark Township, with the proposals submitted by the Administration, would have a reduction of total tax ranging from substantial to slight for all taxpayers with gross incomes of \$9 thousand or less and for some taxpayers up to as high as \$13 and \$14 thousand, depending, of course, on the value of the property in which they reside.

MAYOR YARUSAVAGE: Assemblyman, if I may correct one figure, I am sorry, our average Township salary is \$16,000. The average tax bill paid is \$1,200 a year. Seventy-one percent of that is school budget, which would come to \$852.

ASSEMBLYMAN PERSKIE: What is the average assessment, do you know, Mayor?

MAYOR YARUSAVAGE: The average assessment?

ASSEMBLYMAN PERSKIE: Yes.

MAYOR YARUSAVAGE: Do you mean our tax rate?

ASSEMBLYMAN PERSKIE: No, the average residential assessment. Do you have any idea?

MAYOR YARUSAVAGE: Property value?

ASSEMBLYMAN PERSKIE: Yes.

MAYOR YARUSAVAGE: Total property value or average?

ASSEMBLYMAN PERSKIE: Average.

MAYOR YARUSAVAGE: The mean average would be somewhere between \$30 and \$40 thousand.

ASSEMBLYMAN PERSKIE: \$30 and \$40.

MAYOR YARUSAVAGE: Per home.

ASSEMBLYMAN PERSKIE: In that case you would effectuate tax savings if you couple all the Administration's programs put together. You would effectuate tax savings for everybody with an income of certainly below \$13,000 - although the computer print-out that I have doesn't have it here - and to some small extent higher than \$13,000.

MAYOR YARUSAVAGE: I don't wish to debate the issue with you but these figures I have were based on

calculations from our Tax Assessor.

As I say, local needs and wants of the people, I think, are foreign to many of you because you are up here in Trenton.

ASSEMBLYMAN PERSKIE: Well, they are not foreign. Each of us come from a locality, remember. We don't come from the State. That is the reason I am trying to personalize these figures with respect to Clark Township, rather than give you some sort of meaningless statistic on a statewide average.

I don't know, other than what you told me here today, what your average income or average assessment in Clark Township is. But I do know, based on the proposals that have been submitted, what the effects of these proposals upon the various taxpayers of Clark Township would be and that is what I am trying to give you here.

I don't know where you come by your figures, possibly from some of the inaccurate reports that have been made in the press and in other areas.

The proposals are quite complicated, as I am sure you are aware. The income tax figures are imposed, and the rates are imposed only after a great number of deductions and credits are computed and allowed and after a rather sophisticated system of real estate tax limitation is considered, known as the Guaranteed Property Tax Limitation - and in the newspapers as the "circuit breaker".

So, considering the effect of all of those programs, the figures are as I have indicated to you. I don't know whether, if at all, those revised figures would have an effect on either your position or that of the Township Committee or Council. They may not have but I think that at least in the consideration that you are giving it, which is obviously very careful and very thoughtful, that you should at least have access to the correct figures.

MAYOR YARUSAVAGE: I will be glad to recheck my

figures and contact you. But I can tell you that a State Income Tax means to the average citizen in Clark, certainly, an increase in tax dollars.

ASSEMBLYMAN PERSKIE: I am trying to suggest to you that it is not, sir. I am also trying to suggest that I have access - or we have access - to the figures, based on the entire program. I don't submit that that argument applies to all 567 municipalities but I do submit it applies to Clark.

MAYOR YARUSAVAGE: May I take your remarks then back to my people and say that you will guarantee that the State Income Tax will mean they will get a reduction in their overall taxes?

ASSEMBLYMAN PERSKIE: For every citizen in Clark? Absolutely not. But you may take it, for example, that the citizen with a \$13,000 income and a \$40,000 home will, yes.

MAYOR YARUSAVAGE: The average is a little bit higher than that though, Assemblyman.

ASSEMBLYMAN PERSKIE: Well, the reason I picked the \$13,000 is because that is the column I have here. The citizen-- As a matter of fact, it is an exact break even here for the citizen with a \$17,000 income and a \$50,000 home. He breaks exactly even, according to this. There is a \$335 property tax reduction and a \$335 income tax imposition - which is a "wash".

Now, presumably, that means that if his income is slightly less than that - less than the \$17,000 - and he is living in that home, he is going to make out a little bit better, but I don't have that on my print-out.

MAYOR YARUSAVAGE: I will be glad to get the figures for you.

ASSEMBLYMAN PERSKIE: Okay. If you check with Assemblywoman Wilson I am sure that she will have access to this. If she does have access to this, I am sure she will make it available to you.

ASSEMBLYMAN PERSKIE: Does any other member of the Committee have any questions?

ASSEMBLYMAN CONTILLO: Mr. Chairman?

ASSEMBLYMAN PERSKIE: Yes, Mr. Contillo?

ASSEMBLYMAN CONTILLO: I think that the table that the Mayor got the \$500 from is taxable income. In other words, the chart that was reproduced in the newspaper was referring to taxable income, so that if someone in your community had a taxable income of between \$15 and \$17 thousand then they would pay \$500 in income tax.

ASSEMBLYMAN PERSKIE: That is without respect, first, to exemptions and deductions and second, to the real estate property tax limitation, or the so-called "circuit breaker", which comes in as an override against any income tax.

MAYOR YARUSAVAGE: We worked up the figures based on the "circuit breaker" amendment that we read you had inserted.

ASSEMBLYMAN PERSKIE: Which, parenthetically, I might note, Mayor, also, for your further discussions, is under consideration in the Committee for amendment with a view toward increasing its applicability; that is, to bring the percentage rates down to make it more available to more people, which would, again, have a negative effect on the income tax liability. In other words, it would make the income tax liability smaller for a greater number of people. That's at least the way the Committee wants to go; now whether we can come up with the money to fund it remains to be seen.

We do appreciate your time and your, obviously, thoughtful efforts.

Assemblyman Brown, do you have a question?

ASSEMBLYMAN BROWN: Thank you. Mayor, how would the 6% ceiling affect you? Would you be in favor

of that as the Mayor of a town?

MAYOR YARUSAVAGE: It would be great if we could have a 6% ceiling on all spending; that would include state, county, local. But I don't think we can guarantee anybody anything, anymore than you can guarantee that my people are going to have a tax reduction.

For instance, in Clark, we are still at the stage of development -- I would say we are about 85% developed. However, if the township's outlook on growth changes and we are suddenly hit with more people, or highrise buildings, then we would have to consider such things as a paid fire department and that would impose a tremendous burden on the taxpayers.

ASSEMBLYMAN BROWN: Well, as a Mayor, how would you guarantee the property owners some type of relief - instead of an increase in taxes, etc.? What would you do on an administrative level to try to maintain the taxes?

MAYOR YARUSAVAGE: On the administrative level I would certainly pledge to operate as efficiently as possible and to enforce all the laws that are passed by the legislature in an efficient manner. It would take a combination of efforts by the Council and by the Mayor's office to do all of this. We can't ignore the roles of the State Government or County Government in this area.

I come before you hoping that you, with your expertise at the State level, can come up with a better plan and alternate measures of relief for us. If you give us the laws, we will certainly enforce them to the best of our ability.

ASSEMBLYMAN BROWN: Thank you very much.

ASSEMBLYMAN PERSKIE: Thank you, Mayor, we appreciate your coming.

MAYOR YARUSAVAGE: Thank you. I will be very happy to recheck those figures if you promise me you will re-evaluate your position on the income tax. Thank you.

(applause)

ASSEMBLYMAN PERSKIE: All right. Frankly, we don't have enough time to delay the proceedings and we would appreciate it if the members of the audience will refrain from any such demonstrations.

Our next witness will be Hannah R. Tindall of the Leadership Foundation.

H A N N A H R. T I N D A L L: Chairmen Perskie and Merlino and the Honorable Ladies and Gentlemen of this Assembly and citizens, the New Jersey Leadership Foundation is deeply concerned that the right of everyone to a free education has been infringed upon by a group of education dictators who lack total honesty and integrity.

Our problem is the lack of quality education in spite of extravagant school buildings and the millions of dollars that are spent on education. Educational Testing Service has test result figures to prove our educationalists are failing in their job to educate and scores are alarmingly going down.

Our tax spending in New Jersey increased twenty-two times more than the population between 1965 and 1970. We want to know why?

We, in New Jersey, are second or third in the nation on dollars spent per student and second only to New York City.

The average working man and taxpayer cannot stand another tax increase in any area. We must strive to cut State budgets and expenditures.

We question the Botter Decision's constitutionality as we feel judges are legislating instead of interpreting and we must expose the Trenton bureaucracy for what it is becoming - a body unreceptive to the voice of the people. You men and women, our representatives, must refuse to support new taxes in any form!

There is a brochure being handed out to school pupils this week entitled "Focus Education". It is

backed by the New Jersey Association of School Boards, the League of Women Voters, New Jersey Education Association and the New Jersey Association of P.T.A.'s, among others. We believe this to be illegal as the pro's of the Governor's tax reform are being distributed through the schools and through devious wording, this brochure does not deny that taxation through the State Tax will give the State control of subject matter as well as administration of our schools, thereby taking real control away from local school boards of education. Thank you.

ASSEMBLYMAN PERSKIE: Thank you very much. Are there any questions?

ASSEMBLYMAN MAC INNES: I just have one question. Mrs. Tindall - excuse my ignorance, ma'am - but can you just tell me what the Leadership Foundation is? I am not familiar with it.

MRS. TINDALL: The Leadership Foundation is a group of women who are alarmed about what is happening in our State Government and the lack of total enlightenment of our Assemblymen and Legislators.

Martha Roundtree in Washington, who is associated with Meet the Press, has started the Leadership Foundation in the United States and she is getting women together from states - separate states - and is trying to get leadership in each county. It has just been formed in New Jersey since February. So, we are a new organization.

The President's name is Mrs. Susan B. Tovey and she resides at 655 Summit Avenue, Franklin Lakes, New Jersey.

ASSEMBLYMAN PERSKIE: I think your keeping up with the lack of enlightenment, I think you said - the total enlightenment - of the members of the Senate and Assembly might be a rather time consuming operation.

MRS. TINDALL: It is tedious. We realize you men have a big job but we also realize that the squeaky wheel is getting the grease, and the League of Women Voters is a squeaky wheel on the liberal side and we are not terribly

conservative but we just feel that the public and you, as well, are not getting the whole truth.

ASSEMBLYMAN PERSKIE: Well, I think in the interest of the edification of the members of the public who are with us, it might be very apropos at this time to introduce as the next witness, Mary Nash who represents the League of Women Voters.

Mrs. Tindall, I'm sorry, Assemblyman Brown did want to ask you a question.

ASSEMBLYMAN BROWN: Madam, how many members do you have in your organization?

MRS. TINDALL: That figure I am not sure of yet.

ASSEMBLYMAN BROWN: In New Jersey?

MRS. TINDALL: In New Jersey? I don't even have that figure yet.

ASSEMBLYMAN BROWN: And is your organization more- or less opposed to the League of Women Voters? Did I understand you to say that?

MRS. TINDALL: Only the fact that they pretend to be unbiased and are not.

ASSEMBLYMAN BROWN: Okay. Thank you very much.

ASSEMBLYMAN PERSKIE: Mrs. Nash?

M A R Y N A S H: I would like to respond to the previous witness but I won't.

I am Mary Nash, Fiscal Policy Chairman for the League of Women Voters of New Jersey, representing over 9,000 members throughout the State. We thank you very much for this opportunity to appear before you.

Our June 13th letter to all members of the Legislature stated our position on the Governor's proposals, along with some of the reasons for our support. There is no need to repeat that here but we would like to make one suggestion relating to the cap on municipal and county property taxes.

We believe limits based on tax rates are inequitable

because: (1) poor districts cannot raise as much money with a 6% increase in tax rates as wealthy districts; (2) in most districts property valuations are increasing rapidly due to inflation so the net effect is a much higher limit on spending; and (3) in some districts, usually those most in need of local services, property valuations are declining so the actual limit would be less than 6%. Therefore, we believe any such limits should be based on spending rather than rates.

We recommend that you remove school property tax rate limits from SCR.121 and S.1246, leaving only county and municipal limits based on spending. To meet the constitutional mandate, it is clear disparities in school spending must be reduced. The education bill, S.1256, is designed to make a start on this by setting variable limits on increased spending for the next two years. Putting limitations in the constitution now, before the effect of these limits in reducing disparities can be evaluated, may prevent us from carrying out the constitutional mandate. The Joint Education Committee anticipates the need for future reconsideration to insure both educational equality and reasonable property tax limits. We recommend no further limits at this time beyond those in the education bill.

Our letter commented on our opposition to a statewide property tax and our concerns regarding increased business taxes. We also included information on classification of property. An earlier letter on June 6th included other information about state property taxes. If you haven't had time to read these yet, we understand. However, we believe you will find them useful and hope you will find time to consider them.

A proposal not covered in our letters concerns a reduction in the sales tax. The League would have to oppose using income taxes to replace sales taxes instead of replacing property taxes. However, we would support an increase in the proposed income tax to replace part of the sales tax as long as that is in addition to the proposed property tax reductions. We would prefer a further reduction in property taxes but a reduction in the sales tax appears more concrete and believable to most people. And, of course, the income tax is preferable to the sales tax.

We have purposely kept this short so as not to take your time unnecessarily and to allow time for any questions you might have. Thank you again for this opportunity to present our views. (see page 76 A)

ASSEMBLYMAN PERSKIE: Thank you. I would have but one question, at least initially, and that concerns itself with the 6% limitation. If we key that into actual expenditure, how do we allow for the situation where a municipality, either by reason of expanding population or necessary expanded services, is going to have-- while an effective tax rate is going to stay relatively equal, by reason of expanding ratables, its actual spending is going to increase substantially.

MRS. NASH: Yes.

ASSEMBLYMAN PERSKIE: The proposal is to place a property tax limitation based on dollar expenditure rather than tax rates. I wonder whether that takes into account the community that may have an expanding ratable base and thereby an expanding need for services and has an absolute dollar increase while, because of the ratable increase, the tax rate stays the same.

MRS. NASH: I don't think we are talking about an absolute dollar limit, but a percentage. If your assessment increases-- Now, let's see-- I don't know. Maybe we need to put this on a per capita basis or something of that sort.

ASSEMBLYMAN PERSKIE: That was a suggestion that, likewise, was made before the Committee and is under consideration.

Does any other member of the committee have any questions?

(no questions)

Thank you, Mr. Nash, we appreciate your forbearance and your testimony as well.

Dorothy Bayless from the Lawrence Township Non-Partisan Taxpayers Association.

DOROTHY BAYLESS: To start with, I think we could enjoy a little laugh here. Everything has been so serious. This is from an editorial. "A long time ago

France's free-spending King Louis XIV put taxation this way: 'The art of taxation consists in so plucking the goose as to obtain the largest amount of feathers with the least amount of squawking.'" I feel sorry for you.

SENATOR MERLINO: If I can reply to that, the plan as the Governor proposed it, takes no new feathers but has produced a large amount of squawking.

MS. BAYLESS: I will skip some of this. We feel the proposal, in its present form, is punitive to those communities which have struggled and sacrificed other communal social benefits in order to develop a thorough and efficient standard of education. I think everybody knows that Lawrence Township has a very fine educational system, but doesn't have a storm sewer and because of that floods out Mulberry Street.

It further punishes these same communities by limiting their financial resources to establish those social services which are being enjoyed by other communities.

The taxpayers of New Jersey who have been burdened with property tax since the founding of our State, who have been conned into a cigarette tax, liquor tax, sales tax and who throughout the generations have seen these taxes always increasing and never diminishing, and who today still find themselves in the same dilemma of social needs as generations ago, will not be talked into another additional form of taxation.

There is one particular section to which I would like to address myself having to do with the circuit breaker. There is a table that is attached to it. The circuit breaker section is very poorly conceived. It is a sleeper section which fundamentally sets up a welfare property tax concept, helping even those with higher incomes who are living beyond their means at the expense of those who are not. Evidently it is also a form of increasing

welfare benefits to many welfare clients by indirection. I will stop here and clarify what I am saying.

Welfare clients receive a check and out of the check they pay their rent. It is conceivable - and I asked Mr. Krammer, Mr. Leone's assistant this the other night - that they would get a rent rebate, cash, from the State. He says that they have not addressed themselves to this question yet, but this is a factor to be looked at.

Now it would be virtually impossible to fairly administer the circuit breaker section as some municipalities already incorporate sewer services. Some have rentals that you pay outside of your tax rate, which Lawrence Township does. I believe Hamilton does, and the city incorporates in their tax rate. The same applies to garbage. Hopewell Township has to pay extra; that is, the people do, outside of their tax rate. This applies to a good many other services too. The renter rebate section also has the same undesirable features.

The circuit breaker has another bad feature, that the present \$160 senior citizen tax deduction has, whereby you lose \$160 because your income is \$5001 instead of \$4999. As the circuit breaker steps are in multiples of \$5000, if by some misfortune this section should become law, it should carry a base figure and a percentage multiplication on the rest of the income amount on each step, exactly as the income tax is computed. While this would cut down the State's income revenue, it certainly would be fairer to everyone concerned.

ASSEMBLYMAN PERSKIE: Mrs. Bayless, on that one point, I would like to indicate that the Committee has already taken that into consideration. While we haven't firmed up exactly what our amendments to that particular section will be, we have already determined there will be some changes along that line.

MS. BAYLESS: Thank you very much. I am glad to

hear it.

Is there any other member of the Committee that has any questions? (No questions.)

Thank you very much.

Bill Beren, League for Conservation Legislation.

Is he here? There has been a statement submitted to me on behalf of the League, which apparently would have been the testimony to be presented. I will authorize it to be placed in the record. It is a somewhat lengthy statement, but I will read the last paragraph: "LCL supports the Governor's tax package as the only one so far that meets the needs of all the citizens. We recognize that details remain to be ironed out, but we generally give our support to the income tax as long as it is coupled with the circuit breaker, reduction of property taxes, and the business stabilization tax."

I would ask the staff to have that included in the transcript of the proceedings this afternoon.

(Written statement of Bill Beren can be found beginning on page 104 A.)

Next will be James Hely, New Jersey Public Interest Research Group, otherwise known as PIRG.

J I M H E L Y: I will abbreviate the statement a great deal. I would just like to say New Jersey PIRG supports the Governor's program. We think it is a great step toward improving the over-all well-being of New Jersey.

I will skip what we had to say on the constitutional amendment which would limit the property tax increases and the business stabilization tax, and get specific a little bit on the income tax.

Before Governor Byrne submitted his proposals on the income tax, we were a little wary that he would tie it to the Federal income tax, which he has done for

the sake of simplicity. He has suggested a minimum income tax to catch those who unfairly benefit from the Federal loopholes. I tried to get in touch with Clif Goldman. I have been unsuccessful. The Legislative Services have been unsuccessful in answering the question of how the 3 percent figure on the minimum income tax was reached for gross income. My calculations indicate that the 3 percent tax on gross would have no effect - very rarely would it be used. I have some calculations here, but I think both the Committees in the Senate and the Assembly should consider raising that minimum tax to around 5 percent, if we are to stick with a minimum tax.

I wanted to say that we felt that we would be amiss to not further suggest that we might get around some of the loopholes in the Federal tax, and that is the personal exemption and special treatment for income from capital gains.

The purpose of the personal exemption in the Federal system is to give each taxpayer a special allowance for himself or herself and for his or her dependents. As is, however, this special allowance is more favorable to the wealthy than the middle and lower income taxpayers. The \$750 personal exemption deductible from income means a great deal more when it is deductible from the income bracket taxed at 70 percent than when it is deductible at 30 or 14 percent.

I have figures comparing the \$7.50 deduction from income under our State income tax plan and figures with a \$25 credit as opposed to the \$7.50 deduction from income. I think that would be worthwhile considering.

It would also not be difficult to eliminate the most glaring loophole of the Federal system and, that is, special income from capital gains. There are reasons this is included in the Federal system, but there is no justifiable

reason New Jersey should not attempt to treat all income alike whether it comes from wages, rents, dividends, or capital gains. Only one in ten taxpayers benefits from the capital gains loophole, but the revenue loss is substantial. I have some figures pertaining to how much revenue is lost and how we can increase our taxable income in the high-income brackets if we simply include capital gains.

I have also made a chart to show how easy it would be to do that. This is our proposed income tax form. This side as the Governor presents it; this side as we might like to see it, simply adding this line in for the inclusion of Line 15A on Schedule D (indicating). It would increase revenues substantially because it would simply tax capital gains at the full rate rather than the half rate that it is taxed in the Federal system.

We have these criticisms, but again I would like to just say that we don't mean to negate the over-all value and necessity of the Governor's tax package. After careful research, we give it wholehearted approval.

We thank you for holding these hearings to the extent that you already have done.

ASSEMBLYMAN PERSKIE: One point I would like to make before anybody has any questions: In explanation of, if not defense of, the proposal that has been known as the minimum tax, in your analysis you have estimated it, based on the adjusted gross income tax bracket, on the bottom of the page, and compared the proposed imposition with what might be expected to be the tax under the existing rate structure.

MR. HELY: Right.

ASSEMBLYMAN PERSKIE: I would point out that the minimum tax is designed to recapture tax liability from those whose deductions after adjusted gross income, that

is, the deductions between adjusted gross income and taxable income, effectively wipe out what should be tax liability. So to key into adjusted gross doesn't take into account its true effectiveness.

MR. HELY: I should have used the gross income. In other words, I have on the back pages exactly how I came to those conclusions. So you can look them over. I am considering gross income because obviously there are loopholes in an adjusted gross income.

ASSEMBLYMAN PERSKIE: I just wanted to make sure that you were considering it on that basis.

ASSEMBLYMAN CONTILLO: I would just like to direct myself to the proposed capital gains you are speaking about. I agree with you that it should be included in the income tax. But even if it is not, there are proposals in bills being drawn at the present time directing themselves at capital gains, dividends and interest. So it will all be picked up one way or another.

MR. HELY: Is there a reason that this can't be included in the income tax bill?

ASSEMBLYMAN CONTILLO: The other proposals would negate the need for the income tax bill. So if the income tax bill is not passed, then this portion - the proposed capital gains tax, and interest and dividend tax - would be incorporated in other proposals.

ASSEMBLYMAN PERSKIE: If I may say something on that, it is not quite accurate to say that the income tax, that is, A 1875, the proposed income tax, doesn't tax capital gains. It does. However, it taxes them subject to two limitations: number one, the same that applies to the Federal - that is, you have the alternative, either excluding half or providing the alternate tax;-and, number two, you have the minimum tax under all circumstances.

MR. HELY: Yes. The income tax as proposed would not

allow the computation of an alternative tax, as I see it, because it is on Federal, taxable income.

ASSEMBLYMAN PERSKIE: I am sorry. That is correct.

MR. HELY: So it does cut out a lot of the capital gains loopholes, but 50 percent of capital gains are still going to escape.

ASSEMBLYMAN PERSKIE: That is correct, subject to the minimum tax.

MR. HELY: Right. But along those lines, my point about the minimum tax, I really think it should be raised and I would hope you would come up with computations to deny it or prove what you are saying, that 3 percent is high enough.

ASSEMBLYMAN PERSKIE: Anybody else on the Committee have any questions. (No questions.)

Thank you very much, Mr. Hely, and we appreciate the PIRG's efforts in this area.

(Complete statement submitted by Mr.

Hely can be found beginning on page 83 A.)

Next is Patrick F. Cosgriff. Is Mr. Cosgriff still with us? (No response.)

Richard Solyom, Federation of New Jersey Taxpayers.

R I C H A R D S O L Y O M: Mr. Chairman and members of the Committee, my name is Richard Solyom and I speak to you today as Legislative Vice President of the Federation of New Jersey Taxpayers.

New Jersey's fiscal problem is not taxation; taxes are the result. Crazy government spending is the cause and to solve the problem we must reduce the spending.

Government spending can be either direct or indirect. Direct spending means making appropriations or passing bills which require expenditures. Indirect spending means increasing government size by creation of new departments and new jobs for more bureaucrats, all requiring

more money from the taxpayers.

All government spending requires action by the Legislature, meaning the responsibility for any increase or decrease in spending rests on the shoulders of all the legislators. The last few months have shown tremendous increases in both direct and indirect state spending, indicating a great disregard for fiscal responsibility by the Legislature.

Wise legislators will keep firmly in mind the fact that all government expenditures are non-productive overhead expense of the economy, from an accounting standpoint, and must be held within proper limits. If this overhead is not held in due proportion to the real product and income of the people, then an economy in liquidation results - such as we have today. The annual non-productive overhead expense of the State of New Jersey, that is to say, the Federal, State and local tax take, is now over \$18 billion. It must be reduced, not added to with a State income tax.

May I have your attention, please, gentlemen.

SENATOR MERLINO: You have our attention, sir.

MR. SOLYOM: If legislators cannot resist the temptation to spend other peoples' money, then we must put a constitutional limitation on the amount they can spend. The Federation considers this an idea whose time has come. We have been corresponding with state officials in California regarding that state's "Proposition One" and with an economist here on the East Coast in an effort to prepare such an amendment for New Jersey. I believe the deadline for legislative action to place amendments on the ballot is July 12th. Therefore, I am asking this Committee to give serious consideration to this proposal with a view of getting swift legislative action to place it on the ballot along with those proposed by the Governor.

In essence, our proposal will tie spending limit to taxing limit. Therefore, taxes will be limited also. The heart of the amendment will be a formula based on the relationship between general government expenditures and personal income of the people. This formula will establish a ratio not to be exceeded. We suggest using 1971 as the base year, with figures from the United States Department of Commerce for that year to set the limiting ratio. Thus: the general expenditures, divided by personal income, equals .07.

The figure .07 is that obtained by using the Department of Commerce figures for the year 1971. If the relationship of .07 was good enough in 1971, then it ought to be good enough during "the foreseeable future" and will mark the limit which is not to be exceeded in future years. The formula accounts for inflation. If personal income is inflated, then general state expenditures would be inflated also.

We believe the amendment should provide also that:

1. Any single year's increase in government spending shall not exceed 10 percent of the previous year's expenditures.

2. The total number of persons employed by the 20 principal departments of the state shall not exceed .7 of 1 percent of the total population of the State.

Attached hereto is copy of a preliminary draft made in April 1974. Also for your information, we submit a copy of an article appearing in the current (June 22, 1974) issue of Human Events, titled "Michigan Taxpayers Have Chance to Make History" by Lewis K. Uhler. This article describes the drive now underway in Michigan to place on the November ballot a constitutional limitation on spending.

We request members of this Committee take immediate action to have drafted a constitutional amendment along

the lines outlined above, and bring it up for a vote as soon as possible.

To digress for just a moment, it must be clear to everyone by now that the Botter decision is being used as an excuse for, not only an income tax, but for radical, far-reaching changes in the Department of Education's Administrative Code which will weaken local control of schools and concentrate all power in Trenton. The Botter decision, in the opinion of many, is a judicial usurpation of legislative functions and should be treated as such.

So what can the Legislature do in this situation? There are three courses of action open to the Legislature:

1. They can nullify the Botter decision. This can be done by passing SCR 3 or either of the Assembly resolutions introduced to delete the words "thorough and efficient" from the Constitution. Such action would put an end to the entire controversy.

2. They can knuckle-under to Botter, comply with his edict, enact a state income tax, a state property tax, increase sales taxes, weaken local control of schools, concentrate all power in Trenton and place us firmly on the road to socialism.

3. They can ignore Botter, tell the Judiciary to go mind its own business and take up, once again, their responsibilities as legislators and provide for a thorough and efficient system in their own way; that is, they can enact legislation to provide a new method of funding which does not comply with Botter.

The Federation approves of either the first or third course of action, but not the second. Perhaps a combination of one and three is the answer. First clear the way by passing legislation to free the Legislature of hobbling judicial restrictions, and then proceed with its own alternate method of compliance with the State Constitution,

whatever that may be.

Three comments, if I may, one each on the three proposed constitutional amendments which we are supposed to be discussing here today.

First ---

ASSEMBLYMAN PERSKIE: What three constitutional amendments?

MR. SOLYOM: ACR 175, the circuit breaker so-called.

ASSEMBLYMAN PERSKIE: We are discussing before this Committee today ---

MR. SOLYOM: (Continuing) Assembly Concurrent Resolution No. 175, the so-called circuit breaker, was first proposed by Mr. Billy Dee Cook. I have met Mr. Cook two or three times at various tax symposiums throughout the country. He tells me that his circuit breaker was first used in Wisconsin and is still being worked on. I gather from conversations with him that it is not all that it is cracked up to be. So I am at somewhat of a loss to understand why Mr. Leone wants to bring that in and impose it on the citizens of this State when it is still being experimented on. Perhaps he wants to do some further experimentation of his own on it.

ACR 176 which is a limit on a municipality's ability to tax - this, gentlemen, is the wrong approach. As I said in my opening statement, the problem is not taxation; the problem is spending. If you will limit the spending, you will automatically limit the taxing.

This proposal of Mr. Byrne is to transfer from the local municipalities the power to tax or part of the power to tax. This is a taking-away from the local municipalities the right to tax and govern themselves as they see fit. In other words, it is a whittling away of home rule. It is a transfer of taxation powers from the local level to the State level, where it will be exercised

as a State income tax over which the people will have very little control. As it is now with taxes being imposed at the local level, the local citizens have some degree of control. If you transfer this power to the State level, they will have less and less control.

Assembly Concurrent Resolution No. 177. I am 67 years old, so I think I qualify as a senior citizen. I am in touch with the senior citizen movement. I was here last week when there were 3,000 senior citizens down here to see the Governor and he refused to come over and talk. Herb Miller is a good friend of mine. Herb Miller is the man they call "the homestead kid" because he has a proposal which in my opinion is ever so much better than the proposal here in ACR No. 177. The seniors do not want to be treated as welfare recipients. They do not want to be set apart as a special class in our society. They do not want a means test on what they get from the State. Herb Miller's Homestead Security Act will do this for them. It will let them remain in their community as part of the community in which they grew up, and will allow them to retain their homes that they have worked for all their lives. It will not make welfare recipients out of them.

When we went in to see the Governor, he was much surprised to learn from us that the senior citizens were not envious and jealous of those seniors who would benefit from such a plan - that anyone who got a so-called break under this Homestead Security would get it regardless of their income. The seniors do not want a means limit on anything they get from the State.

Thank you for your attention, those of you who are still here. Thank you very much. (Applause.)

(Exhibits presented by Mr. Solyom can be found beginning on page 89 A.)

ASSEMBLYMAN PERSKIE: Mr. Solyom, I would point out in response to what you said, there are at least two mis-statements of fact. One is that the July 12th date that you mentioned is not consistent with any facts as we know them. The other is that the jurisdiction of this Committee presently extends to a great number of constitutional questions. I believe that today is the record date for purposes of the Constitution for hearings on ACR 139, 142 and 153. But we are also taking into account all of the other constitutional amendments that have been proposed by any sponsor with respect to the issue of tax reform.

Is Mr. C. H. Englehart present? (No response.)

Mr. John P. Kieth, Regional Plan Association. Thank you for waiting, Mr. Kieth. We appreciate your patience.

J O H N P. K E I T H: Mr. Chairman and members of the Committee, I must say that my seat has been more comfortable than yours. I have been sitting over in the breeze and you have been under these very hot lights. So it wasn't as hard for me to wait as it must have been for you.

The statement that I am making is on behalf of the Regional Plan Association, which has several thousand members in the States of Connecticut, New York and New Jersey, and the statement was participated in by the Board members who come from New Jersey.

I have five parts to my argument. I am going to dispense with two of them. One of those is that the tax burden should be distributed more fairly. As you know, in New Jersey the low-income people really do pay a larger percentage of taxes of their total income. I will not speak to that issue, nor will I speak to the issue of "healthy youngsters start more equally," which is the basic proposition before you, and you are hearing a great deal on that today. A planning agency can not

be as helpful on those issues as perhaps it can on the three that I would like to speak to, and very briefly.

First, the question of saving the environment in New Jersey.

Municipalities of this State are planning and zoning primarily with the aim of keeping school taxes down rather than creating a sound environment. Almost every municipality tries to capture factories, offices or shops to help pay the school bill. As a result, urban facilities scatter throughout the countryside, unrelated to housing, out of reach of transit, stretching the average trip length and assuring that every trip must be made by car, and most of those by oneself.

At the same time, zoning has forced people to build homes on large lots in order to hold down the number of school children, when many would have been satisfied with less land.

Altogether, many more acres of countryside have been invaded, many more lanes of highway built and many more gallons of gasoline consumed because municipalities have been forced to think first of their school taxes when zoning.

I would like to add one footnote to that. We discovered in doing a volume on energy consumption in the Region that this metropolitan area, including New Jersey, uses a third less energy per capita than does the United States as a whole. However, the suburbs of this Region use a quarter more energy per capita. The reason for that is simply the transportation to this very-spread city that we are building.

My second point would be: build more housing. Attached housing can be built much less expensively than one-family houses on large lots. Despite a severe housing shortage extending all across the Region in Connecticut, New York

and New Jersey, caused by the high price of new housing, municipalities controlling this State's vacant land in northeastern New Jersey almost uniformly require one-family homes on large lots. We discovered this in about 1961 and we put it out in a volume called "Spread City." At that time Northern New Jersey was zoning its acreage two-thirds for a half acre or more and 50 percent for an acre or more. We have not rechecked those figures, but I am sure they would be much higher today.

Apartments are allowed only if they do not accommodate many families with school-age children. Now, almost no housing units are being built within the range of families earning under \$20,000 - but with zoning changes, it is likely that families with incomes as low as \$15,000 might afford a new attached home or apartment. To the legislators, this might be a matter of interest. When we checked via television, and three million people watched and forty thousand responded from the New York - Connecticut - New Jersey metropolitan area, we discovered that when we asked this question with respect to large-lot zoning and what it is doing, the New Jersey participants voted 62 to 31 for a statewide school tax to get more housing built. We checked that via George Gallup and it came out almost exactly the same figures. So there are people in this State who are concerned and interested in finding a way to solve this problem.

Finally, from a planning point of view, the issue I think most important in New Jersey is the question of saving its old cities, which are truly in real trouble. The large urban facilities that have been scattered and pulled by the property tax needs of the other communities are much more strongly needed by the old cities of the Region: (1) to keep opportunities centralized so they can be reached by persons without cars (over half the households of Newark, for example, do not have an automobile,

and about a third of the households in Paterson.) We found only recently in checking the 1970 census figures, for example, that those people who had two cars got three; those people who had one car, got two, during the decade 1960-70. But those people who had none increased in number, believe it or not, in the State. Then we say, why don't you fellows go out to those far-distant jobs via some transportation system that does not exist. They don't have the car, they don't have the transportation system, and they turn to welfare. And we wonder why. We are distorting our land planning in distorting our property tax. That is the real question that planners would put to you, not the one that educators and taxpayers' groups are putting to you.

Are we going to save these cities of New Jersey to keep society together at least eight hours a day instead of further segregating it; to provide the basis for attracting back to the cities households of all income levels, particularly those without children, that is, the older and the younger families, who need apartments, who want the liveliness of a functioning city.

If the suburbs did not seek the facilities for tax purposes - did not have to - business would be much more likely to locate in city centers.

Well, those several items are the substance of our statement - save the environment, build more housing, and save the cities. Those are the things Regional Plan would like to put before you for your consideration.

(Written statement presented by Mr. Keith
can be found beginning on page 92 A.)

ASSEMBLYMAN PERSKIE: Thank you very much, Mr. Keith. Are there any questions? (No questions.) Thank you and we appreciate your patience.

MR. KEITH: I do appreciate your inviting me.

ASSEMBLYMAN PERSKIE: Al Wagner, Pastor of the Calvary Bible Presbyterian Church.

A L L A N V. W A G N E R: First of all, I would like to express the wish that the members of the Committee and the Assembly and the Senate would at least believe in the Eighth Commandment, "Thou shalt not steal." For certainly the income tax and the property tax are thefts.

INCOME AND PROPERTY TAXES ARE THEFT

The Word of God asks the legislators of New Jersey, "Shall the throne of iniquity have fellowship with thee, which frameth mischief by a law? They gather themselves together against the soul of the righteous, and condemn the innocent blood.. But the LORD is my defence; and my God is the rock of my refuge. And he shall bring upon them their own iniquity, and shall cut them off in their own wickedness; yea, the LORD our God shall cut them off"(Ps 94:20-23).

The income tax is theft! To implement his "dictatorship of the proletariat" Karl Marx proposed ten measures, the second of which is "A heavy progressive or graduated income tax." The income tax is the modern day Robin Hood(taking from the rich and giving to the poor). But Robin Hood, no matter how much he is glorified on T.V. and in the movies, is still a thief.

The property tax is theft as well. Naboth had a vineyard that King Ahab wanted(1 Kings 21). Ahab said, "Give me thy vineyard...and I will give thee for it a better vineyard than it; or, if it seem good to thee, I will give thee the worth of it in money. And Naboth said to Ahab, The LORD forbid it me, that I should give the inheritance of my fathers unto thee." And Ahab was "displeased because of the word which Naboth the Jezreelite had spoken", but his wife Jezebel devised a way for Ahab to get Naboth's vineyard. She conspired with the elders and nobles of the city to frame Naboth and confiscate his property. Our property is our own and the governor and the legislature of New Jersey should not frame "mischief by law" to get it. The property tax does just this!

GOOD INTENTIONS DO NOT WARRANT THEFT

"Shall the throne of iniquity have fellowship with thee, which frameth mischief by a law?" Will you steal from the people in the name of bringing a "Thorough and Efficient" education to the children? Listen to the words and warning of Alexander Hamilton, "a dangerous ambition more often lurks behind the specious mask of zeal for the rights of the people than under the forbidding appearance of zeal for the firmness and efficiency of government."

I do not doubt that the intentions of many of you are honorable and that you desire a "Thorough and Efficient" education (though still undefined by the legislature) for the children of New Jersey, but (1) it is not your responsibility to educate the children, it is the parents (only they can decide what is "Thorough and Efficient" for their children), and (2) you have no right to force one citizen to pay for the education of another's child.

But be you warned by the Word of God that though "They gather themselves together against the soul of the righteous, and condemn the innocent blood...the LORD is my defence; and my God is the rock of my refuge. And he shall bring upon them their own iniquity, and shall cut them off in their own wickedness; yea, the LORD our God shall cut them off."

As in the days of Nehemiah there is "a great cry of the people and of their wives against their brethren...Some there were that said, We have mortgaged our lands, vineyards, and houses, that we might buy corn. because of the dearth. There were also that said, We have borrowed money for the king's tribute, and that upon our lands and vineyards...and, lo, we bring into bondage our sons and our daughters to be servants, and some of our daughters are brought unto bondage already: neither is it in our power to redeem them; for other men have our lands and vineyards. And I was very angry when I heard their cry and these words. Then I consulted with myself, and I rebuked the nobles, and the rulers, and said unto them, Ye exact usury, every one of his brother. And I set a great assembly against them." (Neh 5:1-7). The people are becoming angry and, like Nehemiah, we are assembled here to rebuke the legislature of New Jersey. The tax load is far too heavy already and you are proposing more!

Our forefathers declared their independence to preserve their "life, liberty, and property" because of the oppression. You now are taking these away.

SOLUTION TO THE PROBLEM

The legislature of New Jersey should:

1. exempt any parent who sends his child to a private school from all taxes which finance the public school system.

I think if this were instituted, it would put an end to the public school system in just a few years. The private schools are cheaper and more effective. The children get a better education as well as less of a chance of getting drugs in a school system and even in some places having bodily harm come upon them.

2. propose a Constitutional Amendment repealing the Amendment of 1875 which says that "the legislature shall provide for the maintenance and support of a thorough and efficient system of free public schools for the instruction of all the children in the State between the ages of five and eighteen years." (Article VIII, Section IV, Paragraph 1.)
3. stop spending in all areas other than that for defence, police, courts, and the necessary administration of these.

ASSEMBLYMAN PERSKIE: Does any member of the Committee have any questions to ask Pastor Wagner?

SENATOR MERLINO: I just have one thing I would like to say. I would defy any legislator to answer this statement. I think we need someone a little more omnipotent than we are.

ASSEMBLYMAN PERSKIE: Anybody else?

ASSEMBLYMAN BROWN: Pastor Wagner, I would like a few questions answered, please. You quote part of the Bible that says something to the effect - and I am not sure exactly of the words - give unto Caesar that which is due to Caesar. Is that somewhere in the Bible?

REV. WAGNER: "Give unto Caesar the things that are Caesar's and unto God, the things that are God's."

ASSEMBLYMAN BROWN: Were they referring to taxes at that particular time?

REV. WAGNER: Yes.

ASSEMBLYMAN BROWN: What is your position on the sales tax? You mentioned the property tax and the income tax. I didn't hear you mention the sales tax.

REV. WAGNER: Well, the Bible mentions one tax and that is a poll tax on males. And that is contained in Exodus, Chapter 30, verse 15 where it says, "The rich shall not give more, and the poor shall not give less than half a shekel."

ASSEMBLYMAN PERSKIE: What would half a shekel translate to now, do you know?

REV. WAGNER: Half a dollar. Here is the thing, if the Legislature would cut down spending and if the Legis-

lature would legislate in the areas that they are supposed to be in, instead of getting into welfare and into business and into all these other things that they are in, then you wouldn't need so much money for education -- well, you wouldn't need any more for education because this is the parents' responsibility.

ASSEMBLYMAN BROWN: Isn't there some place in the Bible where it says you should help those less fortunate than yourself? Isn't that in the Bible?

REV. WAGNER: You are talking about charity.

ASSEMBLYMAN BROWN: Just the words, themselves, that you should help those less fortunate than you are.

REV. WAGNER: I could read one passage to you in Ephesians, Chapter 4 verse 28, "Let him that stole steal no more, but rather let him labor, working with his hands the thing which is good that he may have to give to him that needeth." Not that he may have to give to the state, but that he, through the charity of his own heart, may have to give to he that needeth. Charity must come from the people. But when we are taxed to such a burden that we cannot afford charity, this is why there is no charity today.

ASSEMBLYMAN BROWN: In the proposed income tax, aren't we talking about one's ability to pay. I think that is the concept in the proposal. It is based on one's ability to pay rather than one's inability to pay. So we cannot say people cannot afford it when it is based on a person's income and how fortunate he has been in reaping rewards from his labors as opposed to those who haven't been so fortunate.

Also, how do you justify the missionary concept which is also in the Bible? The missionaries assist those in need.

Another question: Are you in favor of any type of tax at all?

REV. WAGNER: Yes, I am in favor of the poll tax. But to answer your other question, that all has to come

through charity. When our Pilgrim fathers came over to this country on the Mayflower - they were all Bible believers and loved the Lord - they believed the Bible was the word of God and they tried to follow it to the best of their ability - but for a time there in the beginning they thought Plato was wiser than God. This is quoted by Bradford in the History of the Plymouth Plantation. He was the second governor. They started a community effort where, because there were only a few of them and they were Christians and loved each other, they put everything into the common storehouse. And they started drawing out. But the women didn't want to wash clothes for the other women's husbands. The young men didn't want to work for the old and for the lame, etc., because they were not reaping their own rewards.

Many would say that this was terrible, that there was no love in their hearts. The one thing they forgot was, they thought Plato was wiser than God.

The Bible is founded upon a free-enterprise system and when after three years they went to a free-enterprise system -- and, by the way, even before this though they believed in the Bible, but took to stealing -- but after they instituted a free enterprise system and each of them had a parcel of land and worked it and the women and children went out in the fields and worked, they had an abundance. They were able to take care of the old. They were able to take care of the sick. They were able to take care of those who couldn't work. It was based on charity.

ASSEMBLYMAN BROWN: I don't want to get into a debate; I just wanted a few questions answered. Thank you very much.

ASSEMBLYMAN PERSKIE: Pastor, I am treading very lightly because I will freely acknowledge your superior position in this whole area. But I would like to ask in

all seriousness - and I am perfectly serious - isn't a measure of everything we do in government, if not completely, at least partly, the way we fulfill the mandate established, and I can't give you the citation, with reference to Cain and Abel, that each one of us is his brother's keeper?

REV. WAGNER: First of all, I don't think that each one is his brother's keeper. Cain said that; God didn't. We are only our brother's keeper insofar as the commandments of God. We have the Ten Commandments and we have interpretations of the Ten Commandments throughout the Bible.

Of course, the State has its area and it is in the area of the last five Commandments. The State is to protect a person's life - "Thou shall not kill"; his family - "Thou shall not commit adultery"; his property - "Thou shall not steal"; his good name - "Thou shall not bear false witness; and to protect him against any kind of fraud or conspiracy - "Thou shalt not covet."

ASSEMBLYMAN PERSKIE: I understand that. Part of what I am asking here is implicit on how one sees the state. It is sometimes, particularly by those in government, seen as some sort of amorphous separation from the people. I view it rather as a collection of the people. And I wonder if in fulfilling that, we aren't talking about a collective responsibility - if you don't like "my brother's keeper" and again my citation will not hold, neither perhaps will the exact language because I have heard it many different ways - the mandate to do with respect to everyone else that which we would have done unto ourselves. Doesn't that likewise fall into this category?

REV. WAGNER: You are talking in the area of personal references here when you get into the area of

the state mandating how I am, even if I were to accept "my brother's keeper", and how I am to react towards my neighbor. When Jesus summarized the two tables of law, saying, "Thou shalt love the Lord thy God with all thy heart, with all thy mind, with all thy soul," and "Thou shalt love thy neighbor as thyself," he was summarizing the commandments of God. Love is expressed by keeping the Commandments.

ASSEMBLYMAN PERSKIE: Thank you. I do want to emphasize that I am not doing this jocularly. I legitimately feel that there is a logical argument to be made with respect to the moral justification of government that sometimes isn't made. And, frankly, the infrequency with which it is made, I think, has led to some of the conditions that we now have both in this State and elsewhere. I think it is a constructive contribution to the dialogue and I appreciate your taking the time to bring it to our attention.

ASSEMBLYMAN BROWN: You mentioned a couple of "Thou shall nots" - doesn't the Bible also state something to the effect, "Thou shall love thy neighbor as thyself" and "Thou shall do unto others as we would have them do unto us"?

So if you were hungry, you wouldn't want anybody to feed you if they had food and you did not?

REV. WAGNER: This is a personal responsibility.

ASSEMBLYMAN BROWN: But that is not my question.

REV. WAGNER: When Jesus is speaking, He is speaking to individuals. He is not saying that to the state.

ASSEMBLYMAN BROWN: I am speaking to you now, your own conscience, as an individual. If you were hungry and your neighbor had food, would you not want him to feed you? That is my question, to you, not to Jesus.

REV. WAGNER: I don't understand.

ASSEMBLYMAN BROWN: My question is: If you were hungry and your neighbor had food, would you want him to share his food with you or not?

REV. WAGNER: This is his responsibility. This is the individual's responsibility. You cannot make someone moral.

ASSEMBLYMAN BROWN: I am not speaking of making them.

ASSEMBLYMAN PERSKIE: Mr. Brown, with all due respect, we have quite a number of people yet to be heard. I indicated that I think it is a constructive contribution to the dialogue and, Pastor, I appreciate your coming.

REV. WAGNER: Thank you. (Applause.)

ASSEMBLYMAN PERSKIE: Mr. Richard F. McCarthy is next. We have a statement from Mr. McCarthy. We would appreciate it if you would summarize it.

R I C H A R D F. M C C A R T H Y: Mr. Chairman, this statement contains several different thoughts and, believe me, it is a summary of all my thoughts. I will proceed and if you wish to stop me at any point, let me know.

ASSEMBLYMAN PERSKIE: Do you propose to read the entire statement?

MR. MC CARTHY: Yes, sir.

ASSEMBLYMAN PERSKIE: Inasmuch as it is somewhat lengthy, can you just sort of give us what it basically covers?

MR. MC CARTHY: I would rather read the whole statement, sir, so you can get the full flavor of it.

ASSEMBLYMAN PERSKIE: Well, the full flavor will be included, I assure you, in the transcript of the hearing and we will certainly read it in any event. But in consideration of the some 20 to 25 people who remain to be heard, I would appreciate it if you would summarize it.

MR. MC CARTHY: Assemblyman Perskie, I can understand your problem and I have been sitting here since two o'clock. I have seen other people come in here --

ASSEMBLYMAN PERSKIE: So have I.

MR. MC CARTHY: I agree. But what you have done is schedule several public hearings instead of a whole series of them to give people sufficient time to come in and talk.

ASSEMBLYMAN PERSKIE: Pardon me, but this is the fourth such hearing, including one in Atlantic City on Friday. This is the fourth.

MR. MC CARTHY: You started at two o'clock. A lot of people have been coming here. If you had said, this week there are going to be public hearings, I would have come at another time when you could have heard me. If you would rather have me wait until everybody is done, I will be pleased to wait.

ASSEMBLYMAN PERSKIE: Mr. McCarthy, I don't want to impose on you to that extent. I am trying to indicate, while I want everyone to be heard to the extent that he chooses to be heard - and your statement will be included in the transcript - I do think everyone who has come is entitled to some time, and I think we have been moving along very quickly and fairly. All I would request of you, in your own discretion, is that you summarize what is in here rather than read it verbatim because the entire testimony will be included in our record.

MR. MC CARTHY: When you get tired of hearing me, interrupt me and I will stop, sir.

My name is Richard F. McCarthy, 140 Mt. Vernon Ave., West Berlin, New Jersey. I appear before this committee as a private citizen, but I am the tax collector for Berlin Township. I have been the collector for ten years.

In spite of being a tax collector, or maybe because of it, I do not regard myself as a tax expert, therefore this testimony is based on what I believe our constitution requires, coupled with what I believe constitutes a fair, sound and controllable system of taxation.

A fair system of taxation is one that is based on "ability to pay" rather than on "state needs". From what I understand, the income tax meets this criteria better than the property tax.

To be a fair tax, the burden must be levied equally and uniformly--which is also a constitutional requirement--upon the persons and/or properties selected for taxation. To be a controllable tax then, the levying must proceed directly from the legislative body that determines the tax to the taxable subjects.

The failure of our present system is that it is not equal, it is not uniform and it is not controllable. For a tax reform proposal to be successful, it must answer the questions: who is levying the tax, how and why. My testimony is directed toward finding an answer to these problems.

When I took office, I knew very little about taxation. All I really knew was that budgets were adopted by my county and municipal governing bodies and that school budgets were voted on

by the people. I was aware of the American principle of taxation by representation and the constitution guaranteed we will pay only our fair share of the tax burden. Somehow, somehow, it seemed to me that some people ended up paying less taxes than I did, even though my property is not as valuable.

I was aware of the stories of padded budgets, government waste, graft and corruption and at first I blamed my high taxes on these factors. While I never believed everyone in public office was a crook, I did believe many of them were self-serving and short-sighted individuals.

I was in office about two years, when I really started to become concerned about how fast the property tax burden was growing. I started to yell and scream about this problem. If you will look at the growth rate of the property tax, you will find that it really started to escalate in the mid-sixties.

By this time, I had heard about the constitutional mandate that taxes were supposed to be levied equally and uniformly throughout the state when they supported state purposes, equally and uniformly throughout a county when they supported a county purpose, and equally and uniformly throughout the township when supporting township purposes. I did not pay too much attention to these terms of equality and uniformity because this was the law and I naturally assumed the tax burden was being levied equally and uniformly. I soon found out I was wrong on this score.

About this time, I also started to hear more and more about "tables of equalization" and "average ratio" of assessments and these terms also did not mean much to me in the beginning, but it

wasn't long before I realized that properties were not being assessed uniformly.

Equalization is the process whereby the assessed evaluation of property is adjusted to reflect its "true value" for the support of county government and for the sharing of state aid for education. I wish to point out, however, that if properties were assessed equally and uniformly as required by our constitution and statutes, then there would not be a need for equalization.

In the years I have worked for tax reforms, I have learned that the problems we face today are due to the failures of yesterday. Do we really want a stable, just and sound tax policy that will stand the test of time? If the answer is yes then we must begin by finding the answer to the question: "What is wrong with the present system?"

If a tax structure is to have strong public support, then the burden must be reasonable, just and clearly presented to the people so that they understand who is taxing them, why and how. Our present property tax structure does not meet these qualifications because the state is doing by indirection and subterfuge what our constitution prohibits it from doing directly and all of the proposals I have heard about follow this same path.

I mentioned uniformity before and state, county and municipal purposes. What does uniformity mean and how are "purposes" established? The answer to the question is based on the principle of taxation by representation. Every system of taxation has two legislative and one administrative step. The person and/or

property to be subjected to taxation, and the assessment base is first defined. The second step is the appropriation of funds and the third step, the administrative step, is the levying and collecting of the tax. Under the principle of taxation by representation, therefore, the legislative body that appropriates the funds is the body that establishes the purpose of the tax. If the state legislature appropriates the funds, then the tax must be levied uniformly throughout the state and it must be used solely for a state purpose. This same principle applies as far as county and municipal governing bodies are concerned.

In many cases, the state legislature appropriates the funds for various purposes, but instead of imposing these taxes uniformly throughout the state, it will compel county and/or municipal governing bodies to impose these taxes upon their tax base. The people do not understand who is taxing them and why because of this practice of "mandating costs" and this is what I meant when I said the state was doing by indirection and subterfuge what it is prohibited from doing by our constitution.

You will recall that I described the appropriation of funds as a legislative act and I am sure everyone is aware of how jealously each branch of government guards its own powers and responsibilities. The executive branch of government, for example, does not have the power to submit a budget to the legislature and then to order the appropriation of funds. We are also aware of the criticism the courts are receiving for seizing legislative powers. In view of these factors, I do not understand how or why the legislative

branch can delegate its power of taxation to the administrative branch.

The state board of education is a part of the administrative branch of government. Assembly bill 1863 gives this board the power to determine whether or not a school district is meeting the thorough and efficient standard. If the standard is not being met, then the board can devise a remedial plan and even reallocate the financial resources within the district. This is the appropriation of funds; a legislative function. How can such power be exercised by the board? This delegation of the power to tax is not only improper, it is also taxation by indirection and subterfuge.

Another problem area of taxation is the one regarding the "accountability" of how the tax dollar is spent and in this regard it must be remembered that the average person does not have the time or money to trace his tax dollar from the time it leaves his pocket until it is spent. Therefore there must not be any ambiguity regarding the purpose of the tax. To avoid this ambiguity, the tax must be levied after the appropriations are authorized and it must serve the purpose of the legislating district.

This point becomes clearer with the following illustration: In 1972, Berlin Township raised \$114,083.00 for its local purpose on a tax rate of \$.79. There was also a gross receipts tax of \$25,188.

In 1973, Berlin Township did not have a local tax, but it did receive \$174,617.00 from the gross receipts tax. It also received \$124,041 in Federal Revenue sharing for the 1973-74 period.

In 1974, Berlin Township has anticipated \$197,969.00 in gross receipts taxes and \$73,974.00 in revenue sharing for the 1974-75 period. In addition we now have a local purpose tax of \$.22 and the tax levy amounts to \$32,596.

In two years, Berlin Township's tax spending capacity increased from \$114,083 to \$204,039. Although these figures are approximate, because other revenues are not included and because revenue sharing is on a fiscal rather than a calendar year, they do illustrate the point that Berlin Township is receiving tax monies without the responsibility of first appropriating the funds and without any relationship to the needs of the community. The needs of Berlin Township are not weighed against the needs of other communities in the state, and the nation, although the revenues it is receiving are derived from state and federal taxes.

During the 1947 Constitutional Convention, the delegate from Hudson County insisted that municipalities should have the right to tax railroad property on the same basis as other properties are taxed and the present constitutional tax clause was framed to give the municipalities this right. Now, however, railroad property is being taxed only by the state and the municipalities are receiving state funds-- in lieu of taxes-- in amounts based on the 1966 municipal tax levy. The "in lieu of taxes" is being paid by all the tax payers of the state in spite of the fact that the railroads have defaulted on their tax payments and the state has exempted nearly all railroad property from taxation.

Not only are the principles of responsibility and accountability being abridged by the "in lieu of taxes" scheme, the people are forced to carry even the small burden the railroads should be paying. The failure of the railroads to meet their tax obligations illustrates the fiscal weakness of the property tax.

Assembly Bill 1876 imposes a state tax on business property but this tax is to be collected at the local taxing district and is to be paid to the State Treasurer. I assume this system will follow the county system whereby the money is paid to them in full whether or not the tax is collected. What protection does the local government have when it cannot collect the state tax because of business failures or damaged property?

I have been talking about the principles of responsibility and accountability and much more can be said but I wish to briefly address myself to the constitutional mandate of equality and uniformity.

Equality is realized when all property is uniformly assessed "according to the same standard of value". The state statutes define this standard to mean the "true value" of the property. I do not expect 100% accuracy in the assessment of property when the standard is such a vague and unstable standard, but I do believe that the constitutional mandate of equality^{is} abridged when the variation in assessments exceed a reasonable limit.

People are just becoming aware of the meaning of "equalization"

and how this process affects their county and school taxes. Unless the taxable value of property is defined by more stable and concise measurements then I foretell a continuing legal battle over this problem. I do not know of any tax reform proposal that is aimed at correcting the problem of inequality in the assessment process.

Spot assessment occurs when the assessment of one or more properties are altered without altering the assessment of all property. The courts have declared spot assessing to be unconstitutional. Cycle assessing occurs when a municipality reassesses property by sections on a rotating basis. In Virginia, counties assess properties and revaluations have been done on a cycle basis. The Virginia Supreme Court has ruled cycle assessing is also a violation of constitutional laws.

New Jersey has never administered the county tax as though it is a tax on the individual, but a tax on the municipality. Under this administrative rule, individual municipalities have been forced to revalue without the rule being applied to other municipalities. This is cycle assessing as far as the county tax is concerned, and I do not believe a court would find this practice constitutional.

If the county tax continues to be imposed upon property, we will see reevaluations being done on a county-wide basis. If we have a state-wide property tax, then we will have yearly reassessments on a state-wide basis and this will be done by computer. If you think you have problems now, just let state-wide, computerized yearly assessments replace the system we now have. I never thought our present tax structure could be replaced by one that is more

unjust, but this was before I heard of the state-wide property tax.

Mr. Chairman, I am more than willing to meet with any member of the legislature to discuss this problem more fully. I am willing to debate this issue with anyone. If you hope to cure our tax problem ills, you cannot do so by making the medicine worse than the illness. An uncontrollable tax, an inequitable tax, an oppressive tax is such medicine and this spells the property tax.

Thank you very much.

ASSEMBLYMAN PERSKIE: Thank you, Mr. McCarthy.

Mrs. Barbara Hansen, North Hanover Taxpayers Association.

B A R B A R A H A N S E N: I am Barbara Hansen. I represent the North Hanover Taxpayers Association. I would like to thank you for this opportunity to speak to you.

For those of you who are not familiar with North Hanover, we are in Burlington County. We are an agricultural, residential area with people from middle income to poverty levels. Many of our people are retired and on fixed incomes. We have very little source of taxation other than local real estate.

If the Governor's plan for a State income tax goes through, in our township, according to the figures in the Trenton papers, we will have a 76.1 percent increase in our tax rate. At the present time, through efficiency in our own community, we have managed over the past four years to lower our taxes by 55 cents per hundred. This current rate, if it should pass, will raise it from \$2.04 to \$3.58 per hundred. We feel we are being penalized for being efficient in our own government.

At the same time, we were also under the impression that things such as the sales tax, cigarette tax and

several other taxes would also go into education. In my experiences, I have yet to see where additional moneys have improved the quality of education in our schools. I speak from personal experience. I have been a teacher in the New Jersey school' system for the past 14 years.

We are very much opposed to taking local government control out of our schools. We are very much in favor of home rule and very much would like to keep this. We do not see how this income tax will possibly be of any benefit. Income tax at this present time with the current rate of inflation as it exists would only add to the inflation that we are already suffering from. Rather we would like to propose to you that as the Legislature you have the power to legislate to repeal the statement that requires "thorough and efficient" education. Local schools have had their budgets turned down. Obviously not every taxpayer is that interested. Besides what is this thing that we call "thorough and efficient" education?

Furthermore, we would like to see things like government ceilings on spending, not only in the local municipality but also on the State level. If I have to live within my budget, surely it is time that the State Legislatures learn to do likewise. At what point will it come to when we are no longer able to pay our taxes? Who then will you turn to?

Thank you for your time. (Applause.)

ASSEMBLYMAN PERSKIE: Thank you, Mrs. Hansen.
Does anybody on the Committee have any questions?
(No questions.)

Judith Cambria will be next. Do you have a statement?

J U D I T H C A M B R I A: No, I don't. I am speaking strictly as a private citizen. I want to just tell you about three different families and why I feel an income tax is

necessary and that you should pass it.

First my own family - my husband makes a very good income.

ASSEMBLYMAN PERSKIE: Where do you live, Mrs. Cambria?

MRS. CAMBRIA: I live in Montclair, Upper Montclair. My husband makes a very good income. Although he is not screaming to you "tax me more," he recognizes and I recognize that our present system is very unfair in the way it falls on people. And we feel we should be paying more for the services that are needed. I do believe that government plays a part in helping us be our brother's keeper frankly. We are willing to pay more because we believe that.

I would like to contrast that with our next-door neighbors who are no longer our next-door neighbors. They were 70 years old. They were a lovely couple. They had lived in that town all their lives. They have now been forced to move out of the State of New Jersey into the home of their daughter in another state. Last year they had only social security income and their property tax was \$1100, almost one-third of their total income. This is unconscionable.

I would also like to tell you about a very dear friend of mine for 18 years who this year lost her husband. She is 37 years old. She has two children to raise, two young children. She is now faced with losing her home. Twenty-five percent of the income that she has left goes for \$2,000 worth of property taxes on her home.

ASSEMBLYMAN PERSKIE: I'm sorry. What percentage?

MRS. CAMBRIA: \$2000 worth of property taxes on a relatively modest home in Basking Ridge, as a matter of fact. She can hang on for one year. I doubt if she can hang on any longer than that. She has a small business

which employs four other people. If within this year she doesn't lose her home, she will probably have to go out and take another job and drop her business, which means four people will be unemployed.

My situation can be seen in many other people, many of whom recognize and will accept the fact that an income tax is necessary to help others. The experiences of my neighbors and my dear friend can be multiplied over and over and over again in New Jersey, and I urge you to enact an income tax to help those people.

ASSEMBLYMAN PERSKIE: Thank you very much, Mrs. Cambria. Does any member of the Committee have any questions? (No questions.) Thank you very much for your time and your patience.

Vincent Visceglia. Sir, do you have a statement?

MR. VISCEGLIA: No, I don't have a typewritten statement, but mine is short.

ASSEMBLYMAN PERSKIE: Would you please summarize it.

V I N C E N T V I S C E G L I A: My name is Vincent Visceglia of Federal Storage Warehouses, with buildings in Newark, Bloomfield and other parts of the State.

Thank you, Mr. Chairman and gentlemen, for this opportunity to appear before you.

Generally I am in favor of Governor Byrne's income tax package, with the exception of the statewide property tax, unpopular as it is, it will give relief to the home owners, to those with relatively low income, and also to the businessman, by reduction of the unbearably high real estate taxes.

ASSEMBLYMAN PERSKIE: Sir, I just want to indicate to you, to the best of my knowledge, there is no statewide property tax in the Governor's package.

MR. VISCEGLIA: Well, the \$3.00 ---

ASSEMBLYMAN PERSKIE: Oh, I'm sorry, the business-commercial tax.

MR. VISCEGLIA: The \$3.00 is a property tax, sir.

ASSEMBLYMAN PERSKIE: Yes, sir.

MR. VISCEGLIA: If these are presently a heavy burden to the homeowners, they are likewise detrimental to business and industry, from the small family-owned candy store to the large manufacturers of our State.

The every-increasing real estate taxes of industry and business are eventually transmitted to the tenant, commercial and residential, or as an added cost to the product and services.

In our business we own several commercial buildings that we lease to others. During the last ten years because of the ever-increasing real estate taxes, we have lost many tenants, so that many of our properties are now semi-vacant. The losing of tenants means the loss of jobs. Whereas five years ago, we and our tenants employed over 500 employees, now that number has been reduced to less than 300, as a result of the high real estate taxes, with many tenants moving out of state or closing up.

As the Governor has stated, we should encourage industry and business to remain in our State and not let them close the doors and abandon building after building with the loss of jobs. Unless real estate taxes are reduced, we will definitely have more unemployment in our State.

The ill-conceived bills of classified State property taxes by Senator Russo and by Senator Bedell would be a disaster for New Jersey. Such a law would be one of the worse in the history of our State. No other industrial state has such a bad tax. A classification property tax is a punitive tax. It would accentuate the moving out of industry from New Jersey. Many businesses would be ruined and production in our State would suffer. We should instead help the business and industry and thus

enjoy more employment and more income to our citizens in general.

I also recommend leaving the present 5 percent sales tax alone. Reducing the sales tax would increase the proposed income tax. That would be undesirable. Up to 8 percent income tax is high enough. Don't make it worse.

In conclusion, I recommend that Governor Byrne's tax plan, minus the state property tax, is advisable. Thank you, gentlemen.

ASSEMBLYMAN PERSKIE: Thank you very much, sir. I just wish to point out for purposes of the hearing that the proposed \$3 tax does include two protections that would help the smaller business: one would be the 75 percent credit against that tax for any taxes paid locally; the other would be a flat \$200 credit for every business, so that the smaller business would essentially be exempt from that tax. I just want to point that out for the purposes of the public hearing.

Thank you very much for your testimony.

Is Paul Schiff here?

After Mr. Schiff who is the last witness who indicated a desire to testify at the afternoon session, everybody else indicating a desire to testify at the evening session, we will entertain a short recess after his testimony and reconvene for the purpose of hearing all of those who desire to testify at the evening session, together with the five who may have returned from the afternoon session. After Mr. Schiff's testimony, we will recess until 7:30.

Mr. Schiff, I am advised that you have presented a statement. I would appreciate it if you could summarize it. We will, of course, include the complete statement in the record.

MR. SCHIFF: It is very brief.

ASSEMBLYMAN PERSKIE: All right, but we are trying to have some pity on our stenographer here and if you

could summarize the contents of your statement, we would be very grateful.

P A U L M. S C H I F F: Mr. Chairman and members of the Committee, first I want to identify myself. I am a candidate for the U.S. House of Representatives, in the 15th Congressional District, on the Communist Party ticket.

I want to say that New Jersey has one of the most regressive tax structures of any state in the country. An editorial in yesterday's Home News refers to it as "an archaic and inequitable tax structure which was not and is not based on the citizen's ability to pay." What this means is that the poor and working people of New Jersey have been paying a higher percentage of their woefully inadequate incomes in taxes than have the well-to-do and the wealthy. The state legislature must now reform this backward, anti-popular tax structure and do so in such a way as to drastically reduce the tax burden on suffering lower and middle income groups and make pay those who can best afford to pay.

I submit that the Governor and the Legislature will have overwhelming popular support for a tax reform package which includes the following progressive measures:

1. The elimination and outlawing of all inherently regressive taxes - above all the sales tax and the cigarette, beer and gasoline taxes as well.

2. The abolition of property taxes on all owner-occupied one and two family dwellings valued at under \$75,000.

3. The elimination of employee contributions to the State Unemployment Insurance and State Disability Insurance Programs.

4. The establishment of a progressive state income tax that would exempt all incomes under \$15,000 per year

and be sharply graduated above \$30,000.

The adoption of these four measures would grant enormous tax relief to the poor, to senior citizens and others on fixed incomes, to most home owners, to the working class and to the middle-income people of our state - that is, to the vast majority of our people - who have been sinking in the swamp of wage freezes, rampant inflation, and the existing regressive tax structures (federal as well as state and local).

Where then would the money come from to finance education and other desperately needed state programs? From those who can afford to pay -- those who have not been paying:

First, from a progressive income tax as proposed above.

Second, from a uniform statewide tax on income-producing property and on private luxury homes, with the guarantee that no tax increases be passed on to customers and apartment dwellers.

Third, from increasing the tax on corporations from the present rate of 4.25 percent to at least the 19 percent ---

SENATOR MERLINO: You know, you asked for attention when you were testifying. I think you owe the Committee and this young man the same attention and not exhibit something which you have in your hand to perhaps distract this Committee or the television audience. Show the respect you demanded when you testified.

MR. SOLYOM: I offer you my sincere apology.

SENATOR MERLINO: Continue, please.

MR. SCHIFF: Third, from increasing the tax on corporations from the present rate of 4.25 percent to at least the 19 percent which families earning a mere \$3,000 a year currently pay in state taxes.

Fourth, from doubling the present inheritance tax on estates of more than \$100,000.

Fifth, from the abolition of the infamous corporate tax havens, such as Teterboro.

Sixth, from taxes on foundations and banks, on Port Authority facilities, and on church properties (exempting schools and church buildings).

Seventh, from absolute -- or confiscatory -- taxes on businesses which desert their employees and the state and are responsible for the run-away plants that eliminate jobs.

Moreover, I call upon the Governor, the members of the State Legislature and the citizens of New Jersey to demand that our Congressional representatives in Washington fight for the enactment of a progressive federal tax structure; for the passage of an Excess Profits Tax on corporations; and for the drastic reduction of the inflated and unnecessary war budget now approaching \$100 billion. Monies raised from these sources must be returned to the states to provide jobs and to build homes, hospitals, schools, day-care facilities, recreational facilities, public transportation systems and other greatly needed services.

You may question: can the monopoly corporations, banks, insurance companies, large real estate interests and the rich in general afford such a dramatic increase in their taxes? You may protest and say: the rich must have incentive -- the incentive to get still richer; corporations must be given tax breaks, tax exemptions, tax concessions, tax loop-holes, tax rebates -- and even subsidies out of the pockets of working people; such is the price we the vast majority of the people must pay to maintain our so-called "free enterprise" system.

If such thinking persists in Trenton (and in Washington), more and more people are going to perceive that "free enterprise" system is nothing but a euphemism for "rip-off-the-people" system, a system of, by, and for the large propertied interests and especially the profit-hungry monopoly corporations. The people of our state are going to wonder if perhaps the salaries of our elected representatives aren't so high as to isolate and insulate them from the problems confronting the rest of us. And they will begin to wonder, too, if those representatives aren't too closely tied to the monopoly power structure responsible for the perpetuation of gross inequities in the tax structure. They will begin to think in terms of putting up and supporting independent candidates for all local, state and federal offices who offer them clear pro-labor, anti-racist, anti-monopoly programs, candidates who reveal the commitment and determination to fight for democratic reforms in the social and economic as well as political realms.

The time to act on behalf of the overwhelming majority of your constituents and institute the above tax reform program is NOW!

Thank you.

ASSEMBLYMAN PERSKIE: Thank you, Mr. Schiff. I would point out to you as we did to your colleague from one of the other Congressional Districts the other day that the present corporate tax rate is in fact, 5.25 percent, having been raised two years ago.

MR. SCHIFF: I am sorry. And is the 19 percent correct on people earning \$3,000?

ASSEMBLYMAN PERSKIE: That figure, as I understand it, either still obtains or is close enough to represent an adequate approximation.

Does any member of the Committee have any questions for Mr. Schiff? (No questions.)

Thank you very much for your testimony, sir.

As I indicated, we have a number of people who indicated a desire to testify at the evening session. They will all be heard. In addition, we have some five or six people whose names we called for the afternoon session. They will be called again at the start of the evening session, which will commence promptly at 7:30. To those who have already testified, thank you very much; to those who are here, we appreciate your patience; and to the media, we appreciate your concern as well.

We stand recessed until 7:30.

(Half-Hour Recess)

Evening Session

ASSEMBLYMAN PERSKIE: May we call the session to order.

Ladies and gentlemen, may we reconvene, please. Anyone who is here for the evening session who was not here for this afternoon's session who hasn't otherwise indicated a desire to appear should please come forward and sign in with the Committee staff member who is seated immediately in front of me to my right, with the two gentlemen standing here who are presumably signing in.

I want to indicate that anyone who chooses to be heard will be heard. I will take the names in the order that I receive them and for the moment we will not be involved with any time limitations. However, I intend to adjourn the proceedings by ten inasmuch as I am advised if I don't, I will be the only one here at that time. Therefore, if I get the sense from the length of the testimony that we are running short of time, I will be forced to impose some time imposition.

I would request that anyone who has a prepared statement advise us at the outset of his testimony and then be prepared to give us the written statement, which will be included verbatim in the record and be prepared orally to summarize the contents of the written statement.

I would first like to call out the names of five individuals who were scheduled to appear this afternoon, whose names were called and did not appear. I would ask if they are present this evening. If so, they will be permitted to testify: C. H. Englehart (Present); Mrs. Evelyn Wachter of the Conservation Action Club of Union County (Not Present); Patrick F. Cosgriff of Pennington (Not Present); Milliard Starling of Mount Holly (Present); Dr. Symth Freeman (Present). Very fine. We will proceed on that basis. Mr. Englehart will be first.

MEMBER OF AUDIENCE: Mr. Chairman, I have one thing to say. I have to go to work at 8:00 o'clock. I am just an ordinary guy. I don't belong to any official party.

ASSEMBLYMAN PERSKIE: You don't have to belong to anything, sir.

MEMBER OF AUDIENCE: All I can say is this ---

ASSEMBLYMAN PERSKIE: Sir, if you are interested in testifying, if you will advise the staff of your desire to testify, you will be permitted to testify in due course and we will make every effort to see to it that you are reached.

MEMBER OF AUDIENCE: I am against the income tax and against it in every way.

I am sorry but I can't hang around because I have to go to work.

ASSEMBLYMAN PERSKIE: If you will leave a statement, we will be glad to include it in the record.

Mr. Englehart.

C H A R L E S H. E N G L E H A R T: Mr. Chairman and members of the Committee, my name is Charles Englehart. I am the co-owner of a retail business in the City of Trenton. I am not speaking on behalf of any group or organization, but as an independent, small businessman, one of the many who will be adversely affected if the proposed personal income tax or related tax measures are forced upon the people of this State.

The programs you have been considering have been falsely labelled by your public relations people as tax reform. This is not tax reform, this is another means of confiscating more money from those whom I call producers, the workers, who provide meaningful goods and services, who contribute greatly by their productivity to a sound economic cycle.

I ask you to consider the present economic condition

of the State and to further consider how this tax proposal would bring financial disaster.

We are relatively prosperous in New Jersey largely because we have attracted industry through a favorable tax situation. Now we are about to destroy that favorable situation with the introduction of these new taxes. It can be reasonably predicted we will no longer attract new industry, business and may, in fact, lose many we now have.

Wasteful government spending, inflation, excessive taxation have toppled world governments. I also point out the present plight of Italy and England. Both are literally bankrupt as a result of their socialistic programs. These countries now are unable to pay their bills and cannot, in fact, pay their public employees. Massive strikes have become a way of life for them and economic chaos will soon prevail.

Closer to home, we have seen what happened in Michigan when Soapy Williams went on a wild spending tax spree. He bankrupted the state and tried to pay his employees in scrip before being thrown out of office by the taxpayers.

Is that where we are headed in New Jersey? I hope not.

You will further increase inflation by imposing the proposed property taxes on commercial property at a higher rate and implementing the new business taxes suggested by the Governor. Common sense should tell us the business men will not be the ones who will really pay these taxes. They will, of course, be passed on to the consumer in the form of increased prices. Once again, it will be the producers, the workers, who will be hit hardest by the tax proposal, both by an income tax or being forced to pay the business tax indirectly through high prices.

The justification of this new tax proposal is

supposedly to fulfill the State's obligation to provide a "thorough and efficient" education for all. The Governor, when asked, could not define "thorough and efficient" education. The new Commissioner of Education, Dr. Fred Furke, was equally at a loss to come up with a definition. With all due respect, I doubt anyone on this Committee or anyone in this room, for that matter, can define a "thorough and efficient" education. Yet here we are, thinking of spending almost a billion dollars on something we can't even define.

I can, however, tell you what "thorough and efficient" is not. It is not spending millions in tax dollars to permit the new breed of educators to experiment further with the children in our schools. It is not the expenditures of tax dollars for programs which are completely unrelated to basic education. It is not the construction of palatial schools and even more palatial administration buildings. It is not handing millions of dollars to the local school boards to be wasted.

I have a clear example of the last situation. Recently the Trenton School Board received a five-million-dollar windfall of State funds under the Bateman formula. Immediately the School Board increased their budget from 20 to 25 million. Not one cent was used to bring at least partial relief to the local property owners.

This is precisely what will happen with the money the State now intends to dispense under the new tax program.

As in all areas of government, educators must be taught to economize. If we do not supply them with the millions which they say they need, they will, of course, be forced to become more thorough and efficient. We would, therefore, be meeting the court's mandate, not by spending more money but by spending less.

Finally, Mr. Chairman, I would like to relay to

this Committee the mood of the people as I see it in my every-day dealings with the public in my business. The people are angry; they are very angry about this income tax. They do not want it or any other form of new taxation. So far you have given them only two alternatives, an income tax or a State property tax. There is a third alternative - no new taxes at all, but restructure the State's spending to finance the schools from existing revenues. That is the only alternative that will appeal to the people.

I strongly suggest that this Committee put the question of the income tax or the State property tax on the ballot in November to allow the taxpayers to express their views. I believe the overwhelming opposition you will see will amaze you, perhaps even frighten you; you their elected officials will soon be running for re-election. Thank you.

ASSEMBLYMAN PERSKIE: My own capacity for amazement will probably, at least I hope so, never cease. But I assure you from my judgment of my fellow legislators that we have a very limited capacity for fright.

Does anybody on the Committee have any questions?
(No questions.)

Thank you very much. We appreciate your time.
Milliard Starling.

M I L L I A R D S T A R L I N G: My name is Milliard Starling. I am located in Mount Holly, New Jersey. I am a pensioner.

ASSEMBLYMAN PERSKIE: Excuse me. What, sir?

MR. STARLING: A pensioner. I am on pension.

For better than 30 years I worked for one firm and at this time I have seen fit to retire of my own choosing.

I am deeply concerned about taxes. I am a dual, so

to speak, resident, having worked in New Jersey and Pennsylvania for the last 30 years. I have a keen interest now, as I am a resident of New Jersey.

At this particular time I would like to thank the Governor for having responded to two of my three letters to him.

ASSEMBLYMAN PERSKIE: That is not a bad batting average.

MR. STARLING: At the time the Governor stated he would run, I told my wife when I read about it in the paper in the afternoon, "This is going to be the next Governor of New Jersey," and I passed that comment on to him, to which he responded.

Having been a resident of Pennsylvania as well, I sent Governor Byrne and Governor Shapp the same message, that the little people are losing faith in our government. I was surprised more so in the last election than ever before in the history of my life to find so many people who have refused or declined to go to the polls to vote. A lot of them are leaning that way.

I take this manner of introducing this because of the fact that it is a far-reaching subject.as far as I am concerned. I have been taxed all my life.

The papers state that the Governor hasn't done a very good selling job on this tax program. I have to agree with that to a varied extent. But there are certain facets of it that I am primarily interested in, welfare and education, particularly welfare. From the days of Governor Duff until now, I have been a bitter opponent of welfare in such cases as we see today. I would take nothing away from a child in need. But being who I am and having worked the way I have, working my way up from a laborer to management and then electing to retire on my own, I have seen some things that most of you will never see in the lower bracket of people who are very deserving but never get

the funds that are allotted to and for them. This is a matter of proof that can be stated and checked. This matter was also brought to the attention of Governor Byrne. I won't go into details on that.

The other one is education. It was my belief several years ago that there was a lottery instituted for the purpose of assisting the educational program in this State. Along with this program today, I began to wonder if it is necessary for the lottery moneys and the additional moneys that are earmarked as anticipated in this budget here. Is this a requirement that the present status of the government is such that each year we are going to need such vast funds as we say for education? Now this is where the job of selling to the little man - and there are so many of us - comes into focus.

I would like to have someone, a legislator or whoever it might be, and I would welcome the invitation from any legislator or any public official to explain to me after the meeting, sometime before next week or whenever, and show me why I, as an individual, should continue to vote to support the present regime as it is when we look at it from a national level, from a state level and from a local level.

I know a lot of people refuse or decline to speak out, but I am here to speak for some of those. They are reluctant. They will say nothing and they will do nothing. I am afraid if this continues, somewhere down the line we will lose our right to vote. And this is what disturbs me.

So I would appreciate anyone -- I would like to talk to someone really to convince me that there is a reason why we should continue to pursue this avenue that we have. Thank you very much.

ASSEMBLYMAN PERSKIE: Mr. Starling, there is a song

that comes to my mind, something about "Walk a Mile in my Shoes."

MR. STARLING: Yes.

ASSEMBLYMAN PERSKIE: I would certainly say to you personally and to anyone who may be listening who feels as you do, quite understandably, that this Committee would certainly invite and encourage you to walk two weeks in our shoes. You can start tomorrow morning at 9:30 when we are going to meet in Committee session downstairs in the Lounge in this building, and sit with us and observe us as we wrestle with these questions. After the Committee meeting is over, perhaps at the lunch break or whatever, we would be glad to sit down with you individually and answer any questions you may have. We also have staff here that can answer any specific questions you may have.

I think maybe if you take advantage of that, you may not have all your problems solved or all your questions answered, but you may have a somewhat larger view on what the problems are and how we should be going about approaching them. You and everybody else are certainly cordially invited and encouraged to take advantage of that. I don't profess to say that that is going to solve all the problems, but it might give you some of the insight that you are looking for and might give you some answer to that question, which is a good one.

MR. STARLING: Right. I would like to say this question is a disturbing one because my experience has shown it to be one of far-reaching, national importance. It is something that concerns all small people.

ASSEMBLYMAN PERSKIE: There are no small people.

MR. STARLING: In one sense, there are. I think you get what I mean. My position is this, that taxation goes back to the beginning of all of this. It is all a form

of taxation, if not in finance, in something else. But we are talking today about taxation in the State of New Jersey. I realize that. This is what has brought me here for the first time in my life to step before a microphone to make a remark like this.

ASSEMBLYMAN PERSKIE: Welcome. It is good to have you.

MR. STARLING: And I would like to be here tomorrow morning.

ASSEMBLYMAN PERSKIE: You can certainly do that. If the members of the Committee see fit, we will start at 9:30 and we will be downstairs in the Assembly Lounge, which is located immediately downstairs.

Do any members of the Committee have questions for Mr. Starling? (No response.) Thank you very much, sir. We would like to see you at our Committee meeting.

MR. STARLING: I will be there. Thank you.

ASSEMBLYMAN PERSKIE: Dr. Smith Freeman of the Sierra Club. Doctor, thank you very much for your patience. I understand you have a prepared statement. We would be grateful if you would summarize it for us.

S Y I T H F R E E M A N: Thank you.

I am here on behalf of the New Jersey Sierra Club. I am a member of the Executive Committee and Chairman of their Land Use Committee.

I was the one who largely drafted the Sierra Club's policy statement, which is the content of the statement I have given you. I was in a fortunate position to do that because I have been engaged professionally for the last six months in the study of the land-use effects of the property tax in particular.

The Sierra Club is a conservation organization. We are interested in the environment. We conceive that the property tax has a very significant effect on the environment,

and, in particular, on land use. We see that it has two reasonably clear-cut adverse effects. One is the state of mind that it induces in municipal officials throughout the State. They hustle for rateables. They are obsessed by obtaining taxable property. And in this very natural preoccupation, they lose sight of some factors which we think in the long run to be more important. We are anxious to permit them to take a longer view. We think that untying them from this too-close concern with property tax rateables will permit them to investigate some initiatives in land-use planning and control.

Secondly, we feel that the present way we are going in the State of spreading people out uniformly in a sort of a grey, formless mass throughout the State is not the best way for a highly-urban state to develop. We think instead viable cities and countryside which really is countryside will provide us in the long run with a far more desirable environment. So we are anxious to see cities survive and we are anxious to see them remain viable economic entities, which is what they have traditionally been.

We believe that the property tax does provide a burden on the economic life of cities. It makes them as a human environment, as an economic environment, less vigorous. And we are anxious to see that barrier lowered.

Both these effects result primarily from property tax differentials, the big differences between one municipality and another, especially the center cities and the suburbs.

We support the Byrne proposals. We feel, in general, they are responsive to these needs. Our only criticism would be that we feel that they don't really go far enough. They will permit substantial differentials in property tax rates to persist. These result from the need, especially, of the older center cities to spend heavily on municipal

services. We would like to see eventually this question also addressed by the Legislature, some attempt to mitigate these very high tax rates for the municipal services budget. I would mention in particular that the comments that Brian Baxter made this afternoon seemed to me very much to the point.

ASSEMBLYMAN PERSKIE: I'm sorry. Comments by whom?

DR. FREEMAN: Comments by Brian Baxter, the representative of the City of Trenton. They seemed very cogent to me.

(The written statement of the Sierra Club submitted by Dr. Freeman can be found beginning on page 95 A.)

ASSEMBLYMAN PERSKIE: Thank you, sir.

Mr. Mac Innes has a question.

ASSEMBLYMAN MAC INNES: Dr. Freeman, have you had a chance or has the Sierra Club had a chance to evaluate the effect of the adoption of a statewide property tax on the same land-use considerations which you think would be assisted or aided by the adoption of an income tax?

DR. FREEMAN: We have given a good deal of thought to this. From a land-use point of view, there are advantages to the income tax and advantages to the statewide uniform property tax.

As I mentioned, most of the land-use effects of the property tax arise from the fact that it has been administered by individual municipalities and that it differs from one jurisdiction to the next. From that point of view, there would be no problem with a uniform statewide property tax.

On the other hand, there are some members of the Club who have been concerned with the attempt to preserve rural open space, who point out that there are many people who hold land because they enjoy it, because they have a variety of non-economic motives for holding it. The

property tax tends to force these people to convert the land to its highest economic use, which usually means development. So from the point of view of buying time for the preservation of open space, an income tax has some significant advantages.

On the other hand, one notes that a property tax is in its effect an excise tax on housing and it compels people to be economical in their use of housing and all things being equal, which they assuredly are not in the real world, it would make people economize on housing, which means contracting the scale of cities. But I think this is a higher order of fact and is not as important as these other things I mentioned - the big differences from one municipality to another.

ASSEMBLYMAN PERSKIE: Any other questions from the Committee. (No questions.)

Doctor, thank you very much. We appreciate your time and your efforts in this regard.

Did Mayor Englander from Hillsdale return? (Not present.)

Moving now to basically the evening list, Salvatore A. De Sapio.

S A L V A T O R E A. D E S A P I O: My name is Salvatore A. DeSapio. I am Chairman of the Hunterdon County Young Republicans and State Platform Chairman of the New Jersey Young Republicans.

In May of this year, the New Jersey Young Republicans passed in its platform a resolution which says, "We oppose the enactment of a State income tax because it would add significantly to the total tax burden of this State's citizens."

One of the major reasons behind the Byrne proposal of a State income tax is to comply with the Botter decision, in which it was held that our present system of financing

public education is unconstitutional.

There are many ways to comply with the Botter decision without accepting the State income tax plan of Governor Byrne. But I am not here to speak on these. It is my belief that there is a higher authority than that of the Constitution as interpreted by the courts and that is the will of the people.

Gentlemen, I will quote from the document which gave this great nation of ours its birth, the Declaration of Independence: "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their creator with certain unalienable rights, that among these are Life, Liberty and the pursuit of Happiness - That to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed..." The consent of the governed - that is government of the people, by the people and for the people.

We, the Young Republicans of New Jersey, believe that the issue of a State income tax, an issue of such great importance, should be decided by the people of this State by referendum, not by legislation from our courts.

The Botter decision can be nullified by passing Senate Concurrent Resolution Number 3, which would permit the people of this State to amend the New Jersey Constitution to allow the support of public schools through local property taxes, augmented by State aid.

I read every day and hear from educators, co-workers, associates and friends of the growing opposition to the State income tax. A poll conducted by the Herald News of Passaic in May of 1974, found that 98 percent were opposed. Today at lunchtime, where I work, I asked many, many people and every one was opposed to the State income tax. Even Governor Byrne admitted that his mail was running six to one against a State income tax.

ASSEMBLYMAN PERSKIE: I think he said seven.

MR. DE SAPIO: Excuse me?

ASSEMBLYMAN PERSKIE: I think he said seven.

MR. DE SAPIO: Thank you.

If you as legislators are forced to pass the State income tax of Governor Byrne because of a court ruling and pass it in spite of such overwhelming opposition, you will be destroying the concept upon which this country was founded, that is, government which derives its just powers from the consent of the governed.

The Declaration of Independence goes on to say that whenever any form of government becomes destructive to these ends, it is the right of the people to alter or abolish it and institute new government.

If you are interested in being re-elected, don't ignore the overwhelming opposition to this plan. I am very sure that if you were to ask the people of this State if they wanted an income tax, they would almost unanimously tell you, no. There are two major reasons behind their answers: one, other taxes withheld from their pay are already too high; and, two, is that when another source of income is added to the State government, new ways will be found to spend it and it will raise taxes in years to come.

If the income tax plan of Governor Byrne is accepted, it will already be generating income to be used for other purposes besides education, such as welfare, the court system and tax overburden.

I operate a bulldozer for a living and I am a member of Local 825, Operating Engineers. As of June 19th of this year, my total earnings were \$9,720.

ASSEMBLYMAN PERSKIE: Where do you live, sir?

MR. DE SAPIO: Baptistown, New Jersey.

ASSEMBLYMAN PERSKIE: What county?

MR. DE SAPIO: In Hunterdon County.

After deducting federal income tax, social security and unemployment which were withheld from my pay, I brought home only \$6,704.48. This means that \$3,015.52 was withheld from my pay. By the end of the year, assuming that I work at the same rate, \$5,597.32 will have been withheld from my paycheck and I will have brought home only \$14,522.68 out of my total earnings of over \$20,000.

If a State income tax is added next year ---

ASSEMBLYMAN PERSKIE: I am sorry, sir, but before you go on, did you say you had earnings of \$9,000 or \$20,000?

MR. DE SAPIO: \$9,000 as of June 19th.

ASSEMBLYMAN PERSKIE: I'm sorry. Go ahead.

MR. DE SAPIO: If the State income tax is added next year and my income is the same as this year, I will pay \$2,042.80 in State income tax, bringing the total amount withheld from my pay to \$7,640.12.

In 1850, a man only had to work one of every twenty days to pay his taxes. Today he works two out of every five. There are other proposals, such as socialized medicine, in Congress, which will take an even bigger bite out of our taxes. Where will it all end? Perhaps some day we won't even get a paycheck and the government will provide everything. That can be found in Russia.

Mr. Chairman, earlier you mentioned the song, "Walk a Mile in my Shoes." I invite any one of you to come some day and work on a construction job and see how it is, see how tough it is to earn a living. It is not easy. Sure, I get paid pretty well. I am not married; I have no dependents. It is easy for me, but what about the family man?

I ask you to please strike a blow for freedom and defeat the State income tax. Thank you, sir. (Applause.)

ASSEMBLYMAN PERSKIE: Thank you. I have a few questions. In the first instance, you indicated that you had asked a number of people whether or not -- well,

you just said you had asked a number of people and none was for it. What did you ask them, whether they were for or against the income tax?

MR. DE SAPIO: Right.

ASSEMBLYMAN PERSKIE: Are you aware of the public opinion surveys, for whatever validity they have - and I am not conceding anything by way of relevance to any of this, except for the purposes of discussion - which have consistently shown as late as last week that the majority of the citizens of the State of New Jersey prefer the imposition of a State income tax to increased property taxes, and that when asked the question about an income tax, not in the context of being for or against it, but rather in the context, "would you prefer an income tax or increased property taxes," a significant majority of the people opted for the enactment of an income tax?

MR. DE SAPIO: Well, sir, that poll may hold validity, depending on how you look at it. But I believe if this question were put to the people in the form of a referendum, they would turn it down, just as they opted for a sales tax rather than an income tax years ago.

ASSEMBLYMAN PERSKIE: The second point I want to make is that I don't know where you got your figures from, but according to the information that I have been given here that categorizes the plan by particular income category and what not, on a rough basis from what you have indicated and making allowances, as I would have to approximate because my schedule is based on a family of four with average deductions and, as you have indicated, you are a family of one, I would guesstimate that your income tax burden would fall somewhere in the neighborhood of five or six hundred dollars as opposed to the \$2,000 figure you mentioned. Admittedly, my figure is not exact, but it falls somewhere between \$335 and \$742. I figure it closer to five or six

hundred.

MR. DE SAPIO: Perhaps my arithmetic is wrong, but I took it from a chart published in the Hunterdon County Democrat and I claim no dependents.

ASSEMBLYMAN PERSKIE: I understand that. Without reflecting certainly on that paper, what I would suggest that you do-- I understand you are somewhat personally familiar with Mr. Foran, who is apparently somewhat well-known up in that area. I suggest that he has the same figures that I have and I think if you will sit down with him for ten minutes, he will be able to give you a very good insight into what your burden would be. The consequence of that, of course, would be up to you and him, but I think that he would certainly have access to the correct figures.

Mr. Foran, do you have any questions? Does any member of the Committee have any questions? (No response.)

Thank you very much, sir. We appreciate your time and your efforts.

George M. Gottuso, Manager of Lawrence Township, will be next. Is he present? (No response.)

Kathy Greene. Is she present? (No response.)

Harold Shamy, from Princeton.

H A R O L D S H A M Y E R: My name is Harold Shamy. I am a resident of Princeton, New Jersey, and a property owner and small business man. I have no prepared statement. I don't even know what I am going to say. I have given this very little preparation.

ASSEMBLYMAN PERSKIES: That puts you just about at the same level as most members of the Legislature when they get up.

MR. SHAMYER: I agree with you. (Applause.)

Two hundred years ago, a new philosophy in government was born. The founders of our country decided that they were going to throw off the yoke of tyrannical governments. Taxation without representation was the battle cry.

Taxation without representation is a hell of a lot better than taxation with the representation we are getting.

It seems to me with the philosophy that was created at that time, probably the most revolutionary idea in the annals of government in its relationship with individuals, the founders of our country gave us a new system in which they stated, don't trust any politician. These are the words of Jefferson: Never trust any politicians; they must be chained to the Constitution. The philosophy was to protect the individual from the tyranny of his own government. That is what the Constitution is all about. The Constitution is a negative document. It protected the individual from his government. We must have government, but government is like fire; when properly harnessed in a stove, it can be beneficial to mankind, but if the fire gets on the draperies, it can cause havoc and tyranny and destruction. That is why the Constitution protected the individual from his own government.

What has been happening over the past 50 or 60 years in this country has been taxation from a local municipal level, to a state level, to the federal level, of all of the earnings of the individual. It is getting to a point today where the more a man works and is productive in society, the more he is taxed.

In 1913 when the income tax amendment was passed - and prior to 1913, we didn't have an income tax at a federal level - they said the tax would never be more than one percent and only the rich would be taxed - it would never be the middle-class people. Today the middle-class are being squeezed out of everything. They are being squeezed by taxation on every level. They are being squeezed by inflation. This is not the fault of an individual. It is not the fault of a wage-price spiral. It is the fault of government. Because inflation is an excess of money and credit in circulation and that is not created

by a wage-price spiral. It is not created by the working man or the small businessman. It is created by he who controls the money supply and that is government. The enemy of people is the size of government. We are moving towards more government and more government and more government until one day we are going to end up with total government.

Our legislators have the attitude that they know what is right for the people. Well, the American people have always been able to take care of themselves when properly left alone. That is what our whole system of government was about, to leave us alone from our own government. We will take care of ourselves. We recognize that with freedom comes responsibility. We want to be able to take care of ourselves. But the way the inflation squeeze is on and the way the government is taxing us, there is nothing left for anybody to be able to do anything except become wards of the State, regardless of what the level is.

I would challenge the Committee, if you are really sincere in trying to solve the problems of New Jersey, to put it on the ballot and let the people vote.

You mentioned, Mr. Chairman, that when people are given the choice between whether they would like to have raised property taxes or whether they would rather have an income tax, people would invariably say the income tax.

ASSEMBLYMAN PERSKIE: I didn't say invariably. I said a majority.

MR. SHAMYER: The majority?

ASSEMBLYMAN PERSKIE: The latest poll was 53 to 41. That is not invariably.

MR. SHAMYER: But the way you are presenting it is like saying, "What would you rather do, spit on the flag or spit on the Bible?" Why not give them an alternative of no taxation. Why can't we get the government to do exactly what the individual has to do and that is to live

within his budget. I would like a Cadillac, but I can't afford one. We can't afford an income tax. We can't afford any more excessive taxation because you are strangling everybody in this country. We are being strangled. If you don't believe me, then put it on the ballot and allow the people to vote.

Could I ask the board a question? Could I ask you for your opinion as to whether we could have this on a referendum and allow the people to decide what they would rather have?

ASSEMBLYMAN PERSKIE: No. The Committee is not going to respond to that particular question. I didn't really intend with the last speaker, as I indicated, to get into a dialogue because I am not really convinced of the relevance of it at all, but you may certainly express your opinion that it should be on the ballot. That is well within your prerogative. However, it is not our function here to make that determination.

MR. SHAMYER: The last thing I would like to say is that -- I lost my train of thought. I lost the point I was getting at.

ASSEMBLYMAN PERSKIE: Take your time. So far the Committee thinks it should tell you that you are doing, as I indicated, at least as well as the average legislator.

MR. SHAMYER: Well, two times nothing is still nothing.

I know what the point was. I've got it. In today's paper, Governor Byrne expressed the opinion -- and I am sure that the average person when he picks up the newspaper and he reads it will get frightened by the way the Governor expressed himself, "Boy, if we don't get this income tax, all of our education is going to go down the drain," which I think is more or less scaring the public and I doubt very much that our educational system will go down the drain. I am not saying that is very bad anyway. Our budget for education throughout the country has gone

up seven times faster than the population. I hire college students and I am telling you they can't add, they can't subtract, they can't make change. So I don't know what has happened to the educational system and I don't think more money means better education. I think our teachers do a very, very fine job and I don't think we have to have the most beautiful, lush buildings.

The point I am trying to make is that it looks to me as though we are becoming a province of the federal government because I think that most of the direction is coming from the federal government and all the pressures are being put on in just about every area. You have the Occupational Safety and Health Act, which is designed to put out of business small independent businessmen.

ASSEMBLYMAN PERSKIE: Can we stay within tax reform, sir?

MR. SHAMYER: This is all part of it. It is all part of the federal intrusion into the state.

ASSEMBLYMAN PERSKIE: We are not here dealing with federal intrusion. We are not here dealing with that. That is a very substantial area. I may happen to agree with you in some parts of that, but that could take us weeks if we got into that and that is not our jurisdiction. We are only concerned with proposals to amend the tax structure of New Jersey. The questions about the federal government will have to be discussed in another forum.

MR. SHAMYER: Well, I think we can live within the budget. I think we have enough money. After a 3 percent sales tax and then a 5 percent sales tax and a lottery, I don't know where all the money is going. I don't think anybody else knows where the money is going. But the taxpayers deserve a fair shake.

All I am saying is that I think this insane, wild profligate spending has got to stop. (Applause.)

ASSEMBLYMAN PERSKIE: Thank you, sir. Does any member of the Committee have any questions?

ASSEMBLYMAN CHINNICI: Mr. Shamy, I would just like to tell you that there have been some resolutions to put the referendum on the ballot. Assemblyman Orechio has introduced ACR 11, and I am co-sponsor of it, to put it on the ballot, and it never has come out of Committee.

I would like to ask you a question, sir. Have you ever been involved in government at all? You say you have been in business for many, many years. Have you ever held public office?

MR. SHAMYER: No.

ASSEMBLYMAN CHINNICI: I would like to ask you one question - and I mean this in all sincerity - why haven't you tried to get into government to see what you could do? This is why I am here.

MR. SHAMYER: I may have to.

ASSEMBLYMAN CHINNICI: I didn't like what was doing on and I tried to come here to see if I could help. I think people like you are really obligated - and I am not saying this sarcastically - I mean this in all sincerity -- if you think you have something to offer, either your local, state or federal government, you ought to make yourself available, especially if you have experience in business.

ASSEMBLYMAN PERSKIE: Mr. Shamy, in order to follow that up, I wonder if you are aware as to the identity of your representative down here.

MR. SHAMYER: Yes, I am. Mr. Weidel and Mr. Foran. I have called Mr. Foran, but I didn't get through. I called Mr. Weidel and didn't get through. I didn't send Mr. Foran a letter because I understood he was against the income tax, so I felt he was the only one in the State of New Jersey that was any good. (Applause.)

ASSEMBLYMAN PERSKIE: We appreciate your time.
Thank you very much.

Roger Blease?

R O G E R B L E A S E: My name is Roger Blease. I am a resident of Ewing Township. I would like to oppose the income tax on a few grounds.

First of all, it seems to me that it is a discriminatory tax. Under all the beautiful rhetoric and what not, it comes out that we are asking the suburbs to subsidize the city schools. Of course, this is discrimination in the name of anti-discrimination, which seems to be peculiar.

They are telling us that the local tax laws are illegal under the Botter Decision. To say the local taxation won't work is ridiculous because obviously it has worked for hundreds of years. We are arguing on the Botter Decision and that is opposed diametrically by the Rodriques decision in the Supreme Court. But the Botter decision is given to us as an accomplished fact and is on a situation that is still in dispute. But we know local taxation will work because it has worked.

Now the premise that the income tax will lower property taxes is based upon a fraud. We have had two examples of it. The lottery and the sales tax were promulgated on exactly the same thing and each time the thing went up. But we have reached such a state of low morality that we no longer call people liars and hypocrites in view of their past statements.

Under the conditions today, it is very difficult for politicians to think in terms of their constituents and what they want and what is best for them. You can see in the background a very great centralized power that dictates to them. I have been able to find no groundswell at all indicating the people want an income tax. It is

being forced upon us by a concentrated effort. I wouldn't want to identify the source right now, but you can see the broad power of it. Politicians suffer under one great disadvantage. If you want to be a politician, you have to get re-elected. If you oppose the great powers that be, your chances of being re-elected are greatly diminished because the name of the game is money. This, of course, increases the power of government. There is only one source of income that the government has. It has to extort it from the producers of the country.

As we surrender more and more power and there is no limit to what taxation can be, pretty soon we will be at the same place the Russians are. They have no income tax. The government pays them and takes the income tax out first. So the power of government is being increased and, if you carry out the progression, you can easily determine where it is going to come out, namely, that we will be slaves.

To extort money from people, you have to have an altruistic means. Education, of course, is something no one disputes. We have to have education of one kind or another. When you take a look at the education we are getting today, it stinks.

I have a grandson. He goes to a Christian school. It costs \$2 a day, \$360 a year. At the age of six, he can read Readers Digest, four syllable words and all. I would challenge quite a few high school students to be able to do the same thing. This is for \$360. We are paying \$1200 a year for students and, if you have ever corrected any of their papers, if you have ever edited their applications to college, you will find we are producing functional illiterates.

To say if we spend more money, we produce better education, is not true. It is exactly opposite to the

facts. We have an inverse relationship. The more money we spend on it, the poorer quality of education we get.

There is a very simple solution to it. The problem that faces the government is exactly the same thing that faces people, namely, before a family man spends a dollar, he has to determine whether he can afford it or whether he cannot. I would highly recommend the same thing to the government. No one asks can we afford it? They say, we have this proposal - now what is the most painless way of extracting the money from the people. As I see it, the proposed income tax is somebody's idea of the most painless way of extracting the money. I think we should live within our budget the same as a family does. We should consider what expenditures are necessary and not just take the word of a commission, which again goes back to the highly centralized force. Commissions are controlled by these - your presidential commission and what not. These are not the real factors. We have to get down to what we can afford and how to pay for it. If you do not propose things that we cannot afford, you will not have all the friction over a tax, as you do today.

SENATOR MERLINO: Thank you. Are there any questions?

ASSEMBLYMAN MAC INNES: I don't mean this to rebut you at all. I would just like to clarify something that you said and the previous speaker also said. You suggested that the State of New Jersey spends more than it receives in the form of revenues. The fact is that the State of New Jersey is constitutionally unable to spend more than it receives in revenues and does not, has not, and presumably will not.

The second thing I would like to say, which is a very common both question and misunderstanding, is that the revenues from the lottery which equal about 2 percent

of the State budget, were not intended for property tax relief. They were intended instead for support of institutions and agencies and of higher education. The lottery this year is expected to generate about \$54 million against a budget which incorporates revenues of about \$2.5 billion. Neither in the statute nor in the regulations devised for the lottery was it intended to be used for the support of local educational costs. I just wanted to clarify that for you.

MR. BLEASE: In the first part, you contradicted yourself when you said the State of New Jersey stays within its budget. If it merely did that, we would not have this dispute on the proposed income tax in the first place. We would be spending as much as we are taking in and we would stay in the black.

ASSEMBLYMAN MAC INNES: The State of New Jersey could live within its budget without an income tax. \$750 million of the \$940 million that would be raised by the income tax by the Governor's proposal will go to local school districts and to municipalities and to counties. It will not be spent here in Trenton. It will not support the growth of bureaucracies in Trenton. Instead it will be used to support ---

MR. BLEASE: You mean they wouldn't set up a commission to collect the income tax.

ASSEMBLYMAN MAC INNES: Excuse me.

MR. BLEASE: They could collect the income tax without setting up a bureau to do it?

ASSEMBLYMAN MAC INNES: No, they will have a bureau to do it.

MR. BLEASE: Then it would increase the bureaucracy.

ASSEMBLYMAN MAC INNES: I said \$750 of the \$940 million would be going to local governments, either school boards, municipalities or to counties, or would represent replacing

those functions now performed by counties, such as support of the county courts, by direct State operation.

MR. BLEASE: This is very much in line with the powers I was speaking of when I spoke about this huge power behind it. Did you ever hear of 1313 Metro Government? This is a board that wishes to tear down local lines. It has been in Chicago since 1958 that I know of. It wants to tear down township lines, city lines, state lines, and bring us under a ten-regional government thing. This would be exactly in the planning of that socialistic concept.

SENATOR MERLINO: Any other questions? (No questions.) Thank you. (Applause.)

Rev. Louis DeBarer.

L O U I S D e B A R E R: Before I get into the material in my statement, I would like to mention that there was a time almost 2000 years ago when the Lord Jesus Christ who was king of kings and lord of lords stood before the judgment seat of Pilot, who was a representative of Caesar. When the Lord Jesus Christ didn't seek to defend himself at that unjust trial, Pilot asked him, why don't you speak - don't you know that I have power to release you or power to crucify you? And Jesus reminded Pilot that he had no power except that given him from above.

Throughout the ages, we have had a conflict between Christ and Caesar and tonight I would like to remind the government of the State of New Jersey that what power government does have, it has from above and is responsible to God.

I have here a statement I prepared about God, the Bible and taxes.

The power to tax is the power to destroy. In the aftermath of the Civil War in the reconstruction period, most property in the south changed hands several times. It was simply taxed away from its owners, sold, then taxed away and sold again. The power of unlimited taxation

is a very destructive power, and history bears this out. That is why the scriptures say, "Put not your trust in princes." Our forefathers established the Nation in liberty because they put their trust in God and the scriptures say, "Where the spirit of the Lord is, there is liberty." As was mentioned before tonight, Jefferson said, "Bind them down from mischief with the chains of the Constitution."

Scripture testifies that "The earth is the Lord's and the fullness thereof." That means God created all things, as outlined in Genesis 1, and therefore, the things we make we own. The creation is God's by right of private property. So, therefore, in the scriptures God has imposed his own income tax, not graduated. It is a straight income tax of 10 percent and it is called the tithe. Since God created all things - he created the earth - since we, his creatures, receive the fruit of the earth and the increase of this earth, therefore, we owe it to Him to give Him His tax on his own creation.

God is quite modest in his tax. It is only 10 percent and it is a straight tax. Now today we have a federal government which has a graduated tax and which has a tax which is much greater than God ever sought to impose on his own creation. In fact, I looked it up last night in the tax forms I picked up at the Post Office and it only went to \$180,000 gross income for one year, and I am sure people make more than that, and there was a 70 percent rate, which is seven times God's tax on income.

Now when people are faced with that kind of a tax from Caesar, I would like to ask: How can they possibly give God his just and righteous due, especially since the federal government already takes out a payroll deduction and the state makes sure it gets its money before God can possibly get His share. I am quite concerned that the

State of New Jersey is going to get into the same business of plundering the people and of robbing God.

Our Christian forefathers, by force of arms, overthrew a tyrannical and despotical government and established a limited government with limited taxation. Today we are again ruled by a government that is unlimited in its activities and its scope, that is putting a great burden of taxation on the people, and is ruling over them with an oppressive bureaucracy. Scripture tells us only God is sovereign, God only is almighty, eternal and unlimited. Those prerogatives belong to God. They do not belong to the state. When the state assumes those prerogatives unto itself, it is usurping the very prerogatives of God. When the state is not willing to limit its activities and its appetite for the property of its citizens, it is in defiance of God's word and clearly usurping the prerogatives of God.

In the Old Testament, the Israelites rebelled against the God-appointed judges ruling over them, demanding they have kings like the nations around them, the pagan and heathen nations. They thought they would like to be ruled by a king. It appealed to them. So they went to Samuel and said they wanted a king. Samuel, as God's spokesman, warned the people, if you get a king, he is going to tax you to death, he is going to draft your young men for his service, and he is going to rule over you and oppress you. And it certainly came to pass. Just four generations later, the Israelites rebelled and they overthrew Rehoboam, the son of Solomon, and they overthrew the Davidic dynasty because they would no longer pay those taxes. And the Bible lays the blame on Rehoboam who insisted on taxing his people to death.

The Americans, like the Israelites, had a heritage of limited government and limited taxation and of liberty. Like the ten tribes in the days of Rehoboam, they fought

in 1776 to obtain those liberties, God blessed them, God gave them the victory over the mighty British Empire and God gave them the liberty. Now again we have sold our birthright and we have lost it. Now it appears we may have to fight those battles all over again if we are going to have the liberty that was our birthright.

Even under the worst of the kings of Israel, such as Ahab, government was severely limited. Ahab had a vineyard next to him that belonged to a man by the name of Naboth. Ahab wanted that vineyard. He was king. He was ruler over Israel and he wondered how he could get the vineyard. He went to see Naboth and said, "Will you sell it?" And Naboth said, "no." Although he was king, Ahab realized he had no right or power to extract that person's property from him. Today's government doesn't even have the scruples of the worst king of Israel. Because today they just exercise the so-called right, and it is an unscriptural right, of eminent domain or they confiscate it by excessive property taxes and people have to sell their property because it is being taxed away from them since they can no longer afford to pay the taxes.

The Bible says, "Give unto Caesar the things which are Caesar's; and unto God, the things that are God's." Today's rapacious governments are not content with Caesar's share, and lust after God's share too.

At present, just the budget of the federal government is \$300 billion, which is 30 percent of our Gross National Product of this nation. That means that 30 percent of what the people produce is being taken at just one level of government. When you include the state and the local government, all the direct and indirect taxes, hidden and not-so-hidden taxes, you will find the American people, according to estimates in the '60's, are being taxed totally at a level between 60 and 70 percent. That is quite a bit. When people are taxed to that extent, they can't even pay

God His just and righteous share. And I would like to ask tonight, who is greater, god or Caesar? It is time to acknowledge God and God's claims and to overthrow the claims of Caesar. It is time to obey God rather than men.

Christ had a lot to say about tax gatherers in his earthly ministry. In Luke 3, Christ counseled them to "exact no more than that which is appointed you." That is good advice for today's politicians too. Government is exacting more than Caesar's share and is robbing God. In Matthew 23, Christ said, "For they bind heavy burdens and grievous to be borne, and lay them on men's shoulders; but they themselves will not move them with one of their fingers." After repeatedly denouncing them as hypocrites, Christ concluded with, "Ye serpents, ye generation of vipers, how can ye escape the damnation of hell?"

Today's demagogues aren't much better. They continue to exalt themselves as the representatives of the people and uplifters of the poor and downtrodden. But they, themselves, don't lift a finger to remove the tax burden that they impose on the people, fattening themselves on expense accounts, exorbitant pay raises and tax exemptions for legislators only, as has been proposed for the gasoline tax. (Applause.) But we do have to pay when the tax has been doubled.

Finally in Matthew 18, speaking of those who refuse to listen to the counsel of his church, Christ says, "Let him be unto you as a heathen man and a publican." In the words of Christ, the publican, an unjust tax gatherer, was equivalent to a heathen. According to Christ's words, if you vote for this unjust tax and you belong to any Christian church, you ought to be excommunicated.

God is not robbed and God is not mocked. Our forefathers were men of God. They cherished the liberty wherewith Christ has set them free. With Patrick Henry, they echoed,

"Liberty or death." King George III had to learn Rehoboam's lesson all over again, that when you overtax the people, they overthrow you. As Washington's ragged army was sustained by God's providence, they overthrew British rule in America. If this government continues on its ungodly path, it too must be dealt with. God is not mocked. If this government does not repent of the course it is charting, it only remains for it to suffer the judgments of God.

It is high time that this government be called to account to the standards of scripture. It is high time for this government to be rebuked from the Word of God. It is high time for this government to repent of its usurptions of the prerogatives of God and let God be God. Amen.
(Applause.)

ASSEMBLYMAN PERSKIE: Thank you very much.
Does any member of the Committee have any questions of the witness? (No questions.) Thank you very much.
We appreciate your time and your effort.

Frank Kiernan.

F R A N K K I E R N A N: My name is Frank Kiernan. I live in New Egypt, New Jersey. I am a Section Leader with the John Birch Society. I am not speaking here for the John Birch Society, but as a member and a Section Leader of the Society.

In recent years, we have seen loss of control at the local level, higher taxes from Trenton, and Trenton overruling local taxpayers. I am referring to the Commissioner of Education. We have the fear of loss of State money being inflicted upon local boards.

A fellow employee where I work is a school board director in Hunterdon County. He tells me that some 80 percent of his budget is controlled by the State, not at the local level, not by the people who were elected, but by people who were appointed by one man

basically setting dictates and policies for the State. When these things go to referendum, the people of the school district can vote and then they can be overruled by one man. This is far too much power to be put in the hands of one man, who is not even responsible to the people of New Jersey, who is not even elected but who is simply an appointed official.

You know this whole mess of Watergate and executive privilege - I think this is what we are making for ourselves. The Legislature has divested itself of its prerogative. It shouldn't give this much power to an appointed official because somebody has got to be your boss. Somebody has got to be responsible and responsive to the people.

If we have a State tax, whether it be an income tax - and I am not really going to quibble whether we are going to increase the corporation tax or going to pay an income tax or whether this is going to be more equitable or that is going to be more equitable - you and I both know that the money is going to come from the same people, the same John Doe who pays all the taxes. It is not going to be put on the poor because many of the poor pay no taxes at all. It is not going to be put on the rich because they have made their tax loopholes. Nelson Aldridge, who is the maternal grandfather of Nelson Rockefeller, drafted the income tax. Does it seem logical that he would draft a tax to soak the rich? This is a con game.

Basically the same people are going to be paying the tax whether we have an increased sales tax, corporation tax or an income tax or property tax. What I am concerned about is not taxes, but loss of control. If you establish a State tax, then Trenton is going to dole out a higher percentage of the school budget, which could

be extended to the police budget, which could be extended to the fire budget, which could be extended to almost anything. Once you start on this thing, there is really no letting go of it. Once you break the ice and establish the precedent of having a statewide tax - and you probably already have established that precedent, unfortunately - then the temptation is to increase it for this group, that group, and another group, until finally the taxes spiral higher and higher until the system collapses. We are facing this real possibility right now with inflation. The Secretary of the Treasury is saying that our inflation right now is unbearable.

I submit if you had a State tax, the local board, the local government, whatever system you might set up to administer these funds, is going to feel like it is spending the other guy's money, and this is the problem right now. People feel like they are spending the other guy's money. It is a matter of who can get to the trough first, who can beat the other guy, to get there and get what is his. We have the claim, this is federal money or this is state money, so it doesn't cost the taxpayers anything. I have had politicians, elected representatives, tell me, this is free because it comes from somebody else. Who do they think pays these taxes? The same people are paying the taxes, whether it is federal taxes or whether it is state taxes or county or local taxes. It is still basically the same middle-class, the people who make between \$8,000 or \$17,000 or \$18,000 or \$20,000 or \$22,000. It is not the people who make millions and it is not the people who are in the poverty level. It is basically the same people.

So the question really is how to limit taxes. We have seen spending in this State. Between 1965 and 1970, when we had a population increase of a little over 6, almost 7 percent, less than 7 percent, we saw a spending increase of \$47 per cent. Gentlemen, that is 25 times

faster than the growth of population. That is going to eat us alive if it continues unabated. I am talking now not about the federal government - I am talking about the State. If we keep having this loss of control, what we are going to have is more and more sociological experimentation. You and I know what that means. It means more bussing. It means more so-called unpopular programs, controversial programs, such as sex education, because now it is not going to be controlled at the local level, and we have lost too much control already by the way.

ASSEMBLYMAN PERSKIE: Mr. Kiernan, I hesitate very much to interrupt you. But we have a number of people who wish to testify and be heard on the question of tax reform, which is the stated purpose of the hearing. I would appreciate it if you would confine yourself to the area of tax reform. I appreciate that you are making a very cogent argument about loss of control. But we would be much appreciative if you would limit that argument to its impact on the tax structure rather than into the other areas.

MR. KIERNAN: Well, Mr. Chairman, ---

ASSEMBLYMAN PERSKIE: We are not here to inquire into everything that is wrong with State government. That would take us years and years to do. We are here only to consider the variety of programs and suggestions for tax reform.

MR. KIERNAN: I can well appreciate your statement, Mr. Chairman. What I am saying here is that through taxation, we are losing our control.

ASSEMBLYMAN PERSKIE: I appreciate that. I recognize the cogency of that argument. But I want it limited to the issue of tax reform, if you will.

MR. KIERNAN: All right. I will wind up as best I can.

If we have a statewide tax, what we are going to do is divert more and more money away from the private sector, which is basically the producing sector, and we are going to decrease over-all productivity. This is definitely going to affect inflation within the State. If it does not drive out business, it is going to maybe decrease the amount of real taxes that you are going to get.

So I submit that the answer is to reduce taxes through efficiency, to cut out some of these programs we already have. Really what I am saying is that we need no new taxes. (Applause.)

ASSEMBLYMAN PERSKIE: Thank you very much, sir. Does any member of the Committee have any questions? (No questions.) Thank you so much for your time and effort. We appreciate your coming before us.

By the official clock, it is almost ten minutes before nine. I think we will have enough time to hear from everybody before our stated adjournment of ten o'clock. If we don't, I will try to allow time to get everybody in. But if we can aim at ten o'clock, I think it would be a nice target. We do have another eight or nine witnesses who wish to be heard. I would ask everybody to sort of divide the 70 minutes by the number of witnesses and be guided accordingly, so that I don't have to do it from here.

Our next two witnesses, I understand, are coming in as one entry, Professor Harbison and Robert Lyke, from Princeton University.

F R E D E R I C K H. H A R B I S O N:

My name is Frederick H. Harbison, I have been a resident of New Jersey for nineteen years. I own my home and pay real estate taxes in Princeton Township in Mercer County. My occupation is Professor of Economics, Woodrow Wilson School of Public and International Affairs,

Princeton University. During the past six months I have been co-director of a faculty-student workshop at Princeton on financing education in New Jersey. This workshop has attempted to make an objective and nonpartisan assessment of the issues in school finance in New Jersey. Our interim report, along with nine supporting working papers was issued last week.

The New Jersey Supreme Court has ruled that our present system of financing schools is unconstitutional. It has ordered the Legislature to come forward with a plan to provide for the maintenance and support of a thorough and efficient system of free public schools by the end of this year. Our present system of financing schools, let me say, is one of the most inefficient, regressive, inequitable, and unfair in the nation. Yet, while deploring this fact, I feel that the citizens of New Jersey have a unique opportunity to adopt a plan for a thorough system which will be efficient, progressive, equitable, and fair. I also think that this can be accomplished without very substantial increases in real levels of expenditure for schooling.

I favor, first, a reduction in local real estate taxes by having the State assume approximately half of the aggregate costs of providing elementary and secondary education. The high levels of local property taxes in this State are well known, and the fact that they place proportionately greater burdens on those least able to pay is recognized by all. I need not dwell further on the unfairness of this means of raising funds for schooling.

A graduated income tax, in my judgment as an economist, is the best possible means of providing some relief from high and inequitable local real estate taxes. I favor a plan similar to that suggested by Governor Byrne with graduated rates of from 1-1/2 to 8 percent of taxable income, which would be about half of the rates in New York State. I would not advocate a piggy-back system geared to the Federal income tax. New Jersey should develop its own income tax in order to keep free of the inequities and deduction problems of the Federal tax.

The income tax, used as a substitute for part of local property taxes, has these advantages:

1. It is progressive rather than regressive. The tax burden is relatively light on lower income families and greater on higher income families, thus providing greater vertical taxpayer equity. The tax burden falls equitably on each taxpayer in accordance with ability to pay. The introduction of a graduated income tax as a substitute for part of the regressive local property tax is a much needed and long overdue reform.

2. The income tax is flexible. As aggregate personal income increases by one percent, the yield from a graduated income tax would increase by nearly one and one-half percent. The ratio of increase in personal income to increase in property taxes is only one to one. Thus, to meet added money costs caused by inflation and other factors, income tax rates -- in contrast to those of most other taxes -- probably would not have to be raised in the future. The income tax, in other words, would introduce an element of flexibility into our present highly inflexible tax structure in New Jersey.

3. The income tax would be relatively easy to administer. It avoids the problems and pitfalls of property assessments. With appropriate deductions or tax reductions for the aged as well as those facing excessively high property taxes, provision can be made for persons and families faced with unusual hardship.

The state-wide property tax is a poor substitute for the income tax as a means for financing schools. While it is true that a state-wide tax would provide some relief for most taxpayers in those communities now faced with relatively high local real estate tax rates, a state-wide property tax would fail to provide taxpayer equity. There are both low and high income families in practically all school districts. Under a state-wide property tax system, high income and commercial taxpayers in low income communities such as Newark, Camden, and Atlantic City would receive windfall benefits from a reduction in local property taxes. Low income families in communities where there may be no local tax relief (and particularly in cases where there may be an increase) would be shouldered with even greater burdens to support schools. In contrast, an income tax would give more equitable treat-

ment to individuals and families in accordance with the principle of ability to pay. A state-wide property tax, while an improvement over local property taxation, would simply perpetuate an inequitable and inefficient system for raising revenues for schooling.

My final plea is for legislators and citizens of New Jersey to examine the facts. Ignorance is perhaps the worst enemy of the public interest in New Jersey today. Let us evaluate the impact of different tax packages on income groups in a few New Jersey communities.

I have a table here, which I will submit. There are several towns on it, but I will just take one, Trenton. Of the income group which makes between \$3 and \$5 thousand a year, which constitutes about 9 percent of the population, they have a very high tax burden under the existing system; 22.4 percent of their income goes for state and local taxes. Under the Byrne proposal, with an income tax, this would drop to 12.8 percent of their total income. Under the Russo proposal, it would drop to about 21.2.

Now let's take the group from \$10 to \$15 thousand a year. They constitute over 25 percent of the population in Trenton. Under the existing system, they are paying about 11.2 percent of their total income in State and local taxes. Under the Byrne proposal, this would drop to 10.3; under the Russo proposal, it would drop to 11.0.

Those persons with over \$25 thousand annual income, constituting only 2.7 percent of the population, under the existing system pay only 6.8 percent of their total income on State and local taxes. Under the Byrne proposal, their burden would be raised to 9.7 percent; and under the Russo proposal, it would be raised to 7 percent.

It is now possible, as a result of the tax model developed by the Woodrow Wilson School, for any legislator or interested person to take any given tax package that

is proposed and cost it out with respect to its impact on individual income groups in virtually every community in the State of New Jersey.

I say, gentlemen, and I say to the citizens of this State, let us not have ignorance reign, let us look at the facts and the facts will show that the income tax is a measure which will bring tax relief to the lower-income groups in this State and provide, in general, a more equitable system for the citizens of the State as a whole. Thank you very much, Mr. Chairman.

(Table submitted by Professor Harbison
can be found on page 99 A.)

ASSEMBLYMAN PERSKIE: Professor, we are very grateful for your time and your obvious careful effort, also we are very grateful to the research people at Princeton. We have a number of research people from Princeton here on the staff. We don't usually brag about it, but under the circumstances, I thought I would mention it.

Does anybody on the Committee have any questions?

ASSEMBLYMAN CHINNICI: Professor, I would like to ask you a question. The State of New York has an income tax, it has a sales tax and today has among the highest real estate property tax in the nation. How could an income tax be so equitable for New Jersey if it isn't doing the job in a state like New York? It really isn't.

PROFESSOR HARBISON: Sir, I don't think I am familiar with the facts and figures of New York State. Its property taxes, I don't believe, are as high as they are in our State.

On the other hand -- well, I will be frank with you. I can't answer a comparative question of that kind. I can certainly find somebody who will answer it though.

ASSEMBLYMAN CHINNICI: Thank you.

ASSEMBLYMAN PERSKIS: Does anybody else on the Committee have any questions of the Professor?

ASSEMBLYMAN CONTILLO: To continue along the line that Mr. Chinnici brought up, I called my brother who lives in Nassau County and who has a comparable home to mine and comparable income, and after inquiring of him came up with the same set of facts, which was quite disturbing, that he paid a very high New York State income tax, in addition to paying twice the real estate tax that I pay on the same size house. It is a disturbing fact.

PROFESSOR HARBISON: I take it that was an observation rather than a question. I would say, however, that one cannot take a house in Nassau County the same size and compare it with a house in New Jersey of the same size and draw from that an objective conclusion on the basis of tax equity.

I would suggest that this matter be explored further by the Committee, the matter of comparison of total tax burdens in our State and in New York State, and I think it might be a very good thing to use the New Jersey tax model that has been developed here and see how it works out in New York State.

I am one who believes in objective inquiry. I think you have suggested a very good point for further research.

ASSEMBLYMAN PERSKIE: Professor, do you think that that further research might indicate a correlation between the level of services provided by the government of New York and that provided by the government of New Jersey?

PROFESSOR HARBISON: I should think it would, but I would not like to hypothesize on it without having looked into it further myself. It would be my hunch that it would.

ASSEMBLYMAN PERSKIE: Thank you very much. We appreciate your statement, and again thank the University.

Mr. Lyke - is it Professor Lyke - is also here from the University. I see you have a prepared statement.

I would request that you summarize and give us the highlights of your statement, sir.

R O B E R T L Y K E: I shall, Mr. Chairman.

(Following is the complete written statement of Mr. Lyke.)

My name is Robert Lyke and I am a resident of Princeton Township in Mercer County. Like Professor Harbison who testified earlier this evening I have helped direct the Workshop on Financing Education in New Jersey this past semester at the Woodrow Wilson School of Princeton University. I too, however, am speaking tonight not on behalf of the Workshop or the University but only for myself.

I have two points I would like to make about the plan for funding public education proposed by Assemblymen Van Wagner and others and Senator Bedell. First, I am skeptical that the state-wide property tax they advocate will raise sufficient revenue to maintain and support "a thorough and efficient system of free public schools." It seems to be accepted by virtually everyone that the greater equality in school expenditures required by the Robinson v. Cahill decision should be brought about by "leveling up," not "leveling down." Local school districts that currently spend relatively little per pupil should be brought up to some specified level but districts that currently spend relatively much should not be forced to reduce their spending. Leveling up low-spending districts, however, even just to the level of the average district, will take much more money than the Van Wagner-Bedell proposal suggests. Their plan calls for tax rates of \$1.75 per \$100 of true value on residential property and \$2.25 per \$100 of true value on commercial property, which they predict will produce enough money to provide school districts with expenditures of \$1,000 per pupil in grades K-8 and \$1,500 per pupil in grades 9-12. Based upon projected enrollment figures, the average expenditure per pupil in grades K-12 inclusive would

be approximately \$1,150 for the 1974-75 academic year. But \$1,150 per student is very low: in the 1974-75 academic year average expenditures will actually be close to \$1,450 per student, and if there are normal budget increases by 1975-76 they will be at least \$1,550. Expenditures at this level would require significantly higher tax rates than those indicated.

There is another reason why I am skeptical that the Van Wagner-Bedell plan will raise sufficient revenue. The New Jersey Supreme Court did not decree that all school districts must spend the same amount of money on each student. On the contrary, it said at one point that there may be "a need for additional dollar input to equip classes of disadvantaged children for the educational opportunity." How much additional money will have to be spent to provide good education for students with special needs is presently unknown. Effective programs for some students might turn out to cost little or no additional money, while effective programs for others might cost two or three times what is spent on the average student. The Van Wagner-Bedell plan does not deal with this problem other than by stipulating that each vocational student would entitle a district to get \$1,850 and each atypical pupil (that is, students with severe handicaps or mental retardation) \$2,500. No cost data have been provided to justify these particular figures, and no estimate is given for the total sum the State might have to spend. More important, no money is expressly provided for compensatory education which the Supreme Court suggested is necessary. In this respect as well, then, the Van Wagner-Bedell program would require higher tax rates than those indicated.

The second point I would like to make about the Van Wagner-Bedell program concerns local leeway, or the right of local school districts to spend more money per student than the State-mandated minimum. Whether there ought to be local

leeway, and how much, of course are matters of education policy, not tax policy. But if there is local leeway, I believe that all school districts should have equal fiscal capacity for raising additional money. The Van Wagner-Bedell plan does not provide this. It simply permits districts to spend whatever extra money they want as long as they raise all of it themselves. If the plan were enacted, the same sort of inequality that characterizes school finance today would be perpetuated. Districts with high equalized assessed valuations per pupil would find it easy to go beyond the State-mandated minimum, while those with low valuations per pupil would find it difficult. The resulting disparities could be so great that the new system of financing would violate the Court's requirement for equality of educational opportunity. I believe it is necessary that the Van Wagner-Bedell plan, if it is enacted, be amended to include power-equalization for local leeway, so that any given local tax rate will raise an equal amount of revenue per pupil throughout the state. The plan might even be modified further to take into consideration varying municipal expenditure burdens. In either case, it would be necessary for the State to provide additional money to those districts that have low equalized assessed valuations, and this in turn, once again, will require higher property tax rates than the sponsors have indicated.

Thank you, Mr. Chairman.

ASSEMBLYMAN PERSKIE: Thank you, Professor. You have indicated that your testimony has been prepared on a work shop for financing education and, therefore, I assume comes at this from more or less the educational point of view as opposed perhaps strictly to tax theory.

Accordingly, I wonder whether you would have any specific comment about either statewide property tax proposal, either the Bedell Plan or the so-called Russo Plan, on both the tax burden and the ability to provide educational

quality in a city, for example, like Newark.

MR. LYKE: I can speak much more directly about the impact upon the educational quality. Under the Van Wagner-Bedell Plan, they would propose that the City of Newark in the academic year 1975-76 receive approximately \$1150 per student. There would be some exceptions to this, of course.

ASSEMBLYMAN PERSKIE: That would be exclusive of debt service?

MR. LYKE: That's correct. And there would be further exceptions for atypical pupils and vocational students, etc. But for the students attending average schools, they propose that the City of Newark spend \$1150 per pupil. At the present time, however, that is, in the 1973-74 academic year, the fiscal year of which we are just ending, the City of Newark now receives from the State at least \$1150 per pupil already. To this amount of money, they must add an additional \$350 of locally raised revenue. So, in effect, what would happen under the Van Wagner-Bedell Program would be that the City of Newark would be forced to cut back expenditures sharply by an amount of approximately 20 percent, either do that or else maintain the present rate of local taxation, which, as you all know, is one of the most excessive in the State.

ASSEMBLYMAN PERSKIE: I don't know how familiar you are with the court decision which, among other things, has brought us here. But do you have any opinion as to the validity of such a system, consistent with that decision?

MR. LYKE: To my knowledge, the court will look upon a State income tax and a statewide property tax with equal favor. The only question that the court will consider is: Is this money being spent in accordance with the State Constitution? As I read it and read the court opinion, there are two rough guidelines on this. First of all, there must be approximate equality of expenditures

among all the school districts in the State. And, secondly, if students do have special educational needs, such as need for compensatory education, need because the students happen to be handicapped or retarded, the State must compel local school districts to spend additional money to meet these students' needs.

ASSEMBLYMAN PERSKIE: Do you read the decision as requiring equalization of expenditures?

MR. LYKE: Approximate equalization of expenditures. You recall at one point in Chief Justice Weintraub's opinion, he asked: What does the phrase a "thorough and efficient" system of public schools mean? He immediately answered that by saying, it can have no other import - I believe that was his actual phrase -- it can have no other import than equality of educational opportunity. I understand that phrase then to mean that there must be rough equality of expenditures among local school districts in the State - not identical expenditures, but rough equality.

ASSEMBLYMAN PERSKIE: That appears to present the issue rather clearly in any event.

Do any members of the Committee have any questions for Professor Lyke? (No questions.)

Thank you very much, sir, and again, through you, our appreciation to the staff at the University.

Mr. Pavlides from the NRTA. Is he here? I have also Mr. Gould from the NRTA. Is that better? Are you here in addition or in place of Mr. Pavlides? Is he going to be here too?

MR. GOULD: No.

ASSEMBLYMAN PERSKIE: Do you have a prepared statement, sir? (Mr. Gould has no statement.)

W I L L I A M E. G O U L D: Gentlemen, my name is William E. Goule. I live in Mount Laurel, New Jersey.

I am President of the Non-Residents Taxpayers Association of Pennsylvania and New Jersey. Our organization represents approximately 20,000 contributing members in the Delaware Valley. We have approximately eight chapters throughout the South Jersey communities, principally in the Counties of Camden, Burlington and Gloucester.

Non-resident taxation affects approximately 400,000 New Jersey citizens who work outside of New Jersey and are subject to wage and income taxes imposed by the states of Pennsylvania, New York and Delaware; additionally, wage taxes imposed by Philadelphia and the City of New York. This form of multiple taxation applies to approximately 20 percent of our State's work force.

The Non-Resident Taxpayers Association is neither for nor against income tax, per se. However, the presently proposed New Jersey income tax would perpetuate this evil of non-resident taxation.

Much of the discussion this evening deals with whether New Jersey should have an income tax. However, to the New Jersey's 400,000 non-resident taxpayers that is not the question. The question is not whether New Jersey residents should pay an income tax, but how many can they afford to pay. All of these 400,000 non-residents are subject to at least one or two or possibly more non-resident income taxation. I am personally subject to the Philadelphia wage tax and the Pennsylvania income tax, which together amount to approximately 5 1/2 percent of my gross salary. And with the present New Jersey tax proposal, I would be subject to yet another tax on my income.

Gentlemen, I ask you, how many income taxes can an individual afford? I ask you to look at this from the non-resident taxpayer's point of view. Unless meaningful reform is included in any income tax program, the non-resident taxpayer will vigorously oppose this form

of tax. If reform is included, we recommend that it embrace the following:

Elimination of non-resident income taxation by reciprocal agreement with neighboring states.

Paragraph 54A:2-6 of the proposed legislation be amended to provide full tax credit for taxes on income paid by New Jersey residents to other states or taxing jurisdictions thereof.

The third point - establishment of a full commission with adequate administrative and financial resources and charged with the responsibility to eliminate non-resident income taxation of New Jersey residents; and, further, that such commission include direct representation from the Non-Resident Taxpayers Association.

If these items are incorporated in the tax package, then the non-resident taxpayer might well support the current proposal under consideration.

These recommendations should be considered as interim measures only. The only real and equitable solution to the problem of multiple taxation is the establishment of residency as a requisite for all personal income taxation.

The Non-Resident Taxpayers Association would support responsible tax programs required by our state or community of residence to provide for the needs of its citizens. However, in concluding, let me say the non-resident taxpayer is fed up with promises. He has been burned all too often. Don't make him promises for future relief. If you want his support, put it in the tax package now. Thank you.

ASSEMBLYMAN PERSKIE: Mr. Gould, we have some good news for you.

MR. GOULD: I should rejoice.

ASSEMBLYMAN PERSKIE: It is not often that we can indicate to a witness that we have already taken some

action or at least planned some definitive action in line with your testimony. In the first place, with respect to section 2-6, the Committee has already considered the question of amending the word "state" to read the word "jurisdiction" to cover with specific reference in most instances the wage taxes in Philadelphia and New York City. Although we haven't yet taken any formal vote, inasmuch as, with one exception, we haven't formally voted on anything, it is the sense of this Committee to make that change as well.

With respect to the compact, we are advised that this administration has been in contact with the administration of Pennsylvania, at least, and that such a compact would be forthcoming in the event of the enactment of a New Jersey personal income tax. It is likewise the sense of this Committee that such a compact is very definitely in the best interest of both of the states and should be forthcoming as soon as possible, if, as and when, the income tax would be enacted.

Thirdly, with respect to New York, we are advised that the provisions, with the amendment of the word "state" to read the word "jurisdiction", for those taxpayers who are involved in the problem at that end of the state -- we are advised that the provisions of the bill providing for a full credit for taxes paid to the other jurisdiction would ameliorate any hardships that would be incurred at that end.

So I think, although we certainly welcome your testimony - we are very glad to have it - I think that we have anticipated you a little bit.

MR. GOULD: I am grateful for that anticipated action. However, I would ask you not to avoid the third point that I have made here. I believe that if the administration is truly desirous of eliminating non-resident taxation, and I certainly believe it has made its case on

that point, then I would respectfully request that due consideration be given to the establishment of a commission whereby we can end this form of taxation.

ASSEMBLYMAN PERSKIE: I didn't mean by not stating it to indicate that we intend to ignore that. We do not. That is obviously a much more comprehensive and second-level solution to the problem, to which we will certainly give very careful consideration. It is just that we haven't reached any consensus of the Committee on that as yet.

Does anybody else on the Committee have any questions?

SENATOR MERLINO: It is generally felt and accepted that non-resident taxpayers will not suffer any penalty - they will pay no more than they would pay if they were paying just here in the State of New Jersey.

MR. GOULD: The non-resident taxpayer certainly has evidenced his commitment to his home community. What we are desirous of is correcting the inequity as it now exists where we support often not only our own community, but several others as well. Those of us who experience it directly know what it is like. We would hope you would share that understanding with us and now is the opportunity to deal with this issue.

Our organization has endeavored to bring the message to this body as well as to the administration.

ASSEMBLYMAN PERSKIE: We got it and so did they.

MR. GOULD: You got the message.

ASSEMBLYMAN PERSKIE: We got it.

MR. GOULD: I am very glad, sir.

ASSEMBLYMAN PERSKIE: Thank you. By the way, I got a letter from the Association the other day with reference to the opportunity to appear. I haven't yet had a chance to answer it because I haven't been in the office. But I assume that this covers your request. If it doesn't, let us know and we will be glad to sit down with you at any time at your convenience.

MR. GOULD: Thank you, sir. I may take you up on that offer.

Mrs. R. A. Van Sweringen. Do you have a prepared statement, ma'am?

M R S. R. A. V A N S W E R I N G E N: No. I have a few xeroxed copies of records.

ASSEMBLYMAN PERSKIE: If you will, please, summarize whatever you intended to present.

MRS. VAN SWERINGEN: These are all xeroxed copies of official documents. I am here as a citizen and that is all I have to draw on.

I do have this page from the New York State Statistical Year Book, showing that they are first in local property tax. New York is first and we are third.

The question came up with a previous speaker as to where New York stood in local property taxes and this is from the New York Statistical Year Book. It shows they are first; New Jersey is third.

I agree with most people here who have spoken that what is wrong - and I don't see how it can be explained away - with both the Byrne Plan and the State property tax is the transfer of power from the people to the State level. We have heard a lot of words about rendering unto Caesar what is Caesar's. I want to make the point that if it is collected as a local property tax, it is rendered unto the little Caesars from the people level to the mayors, and the Governor doesn't touch it. If it is changed -- if what we collect for local education and what we collect for welfare is changed from local property tax, you immediately change the power and transfer it from the people level to the State level.

I see many things that are good about New Jersey's school funding and tax structure now and I don't want to see it ruined. I agree with the groups who are

against this plan as far as the transfer of power. But I think that we have a very good situation as far as school funding and distribution of money. A point I wanted to make was said this afternoon, that we are second from the top of the 48 states; third from the top if you count Alaska. So our school funding is good so far as what we have been raising. I have a quote here from President Goheen of Princeton made in 1965 before the sales tax, and he was criticizing colleges at the time. He says that New Jersey has a commendable record for public and elementary school education. So we have always been good in raising money for school funding.

I think the two philosophies that are represented in our school funding are excellent. I think New Jersey should be proud of both what we raise and our philosophies. In other words, what the Republicans tend to emphasize is self-reliance and making people depend on themselves, the old American virtues, comes through on the reliance on the property tax among the communities who have the ability to raise their own money for schools. But then we have the other element of compassionate socialism in the Bateman Act. So many people today asked what happened to the sales tax. I don't think the Legislature has been praised half enough for the fact they have taken the sales tax and sent it to the big cities, so now the big cities are equal with top-level communities.

I like the school funding because of what it raises. It combines compassionate socialism in the Bateman Act with self-reliance among the people who can raise the money.

I think our tax structure is excellent. Why do we have this talk about tax reform?

First of all, take the distribution of power. Most people do not know there has been more power on the people level - I call that the local community, county

level - than the State level. I am using '72 figures. In that year, the budget was \$2 billion in Trenton, but the amount collected locally was \$2.2 billion. Before then, there used to be three times as much collected locally because of this reliance on property tax for schools. It is now evenly distributed. You have a tax pot really of \$4 billion. Two billion is local and two billion is at the State level. So we have now a very good distribution.

The present tax structure is good for distribution of power. It is also excellent, I think, in terms of good management. For instance, take these results. I have already mentioned we are close to the top with New York only ahead of us in payments for local education. We are fourth or higher in welfare; that is, we pay well. We have fewest State employees at State level; and when we combine State and local, we are fourth highest.

I have charts here showing our debt service. In three or four categories, we are below other states in what we owe.

At this point, I would say New Jersey is very well run. We pay well for education and welfare. We are low in employees and we are low in debt service. I think it is because this \$2 billion that is collected as local property tax in the 567 different communities is in separate amounts and there are so many people watching it. I am sure that has helped with the extension of the good management of money.

I want to make the point, before I go any further, why we don't need these plans and then, if I have time, why we don't want them.

Why we don't need it. - I have checked and double checked over at the State Law Library.

The Supreme Court, specifically limits, itself, really on page 297, where it dealt with the constitutional problem, in terms of dollar input per pupil. Page 295 goes a little more into it. "The Trial court found the constitutional demand had not been met and did so on the basis of discrepancies in dollar input per pupil. We agree. We deal with the problem in those terms because dollar input is plainly relevant and because we have been shown no other viable criterion for measuring compliance with the constitutional mandate." So I am making that point, that what the Supreme Court ordered was specifically about dollar input per pupil.

ASSEMBLYMAN PERSKIE: I don't want you to think the silence of the Committee on that point implies any agreement. Go ahead.

MRS. VAN SWERINGEN: Oh, you don't.

ASSEMBLYMAN PERSKIE: Go ahead.

MRS. VAN SWERLINGEN: It ruled against discrepancies in dollar input.

You do know those page numbers I mentioned.

The cities have already been brought up; that is, they ruled against the areas being behind. Most persons think - and one person mentioned it today - that it was the cities who were behind. Well, the cities have been brought up. I took this quote from a New Jersey Taxpayers Association book and the latest figures I got by calling up the school boards of Camden, East Orange, Jersey City, Newark, Paterson and Plainfield. Then I just called Westfield to make a comparison and it showed in '72 Newark had even passed Westfield in its per pupil standing. It was about \$1300 to \$1200 in '73-'74 and then \$1626 to \$1456 for 1974-75.

I might add what I think is commendable and something that New Jersey people should be very grateful for about the School Aid Act is that it channels so much to people in cities who really need help. I have a couple of budgets

here. One is Scotch Plains and one Newark for 1972, which showed Scotch Plains with about one million something and Newark getting twenty-six million. But when I called on the phone, they said next year they would get seventy-five or eighty million.

ASSEMBLYMAN PERSKIE: Mrs. Van Sweringen, could we ask you to sum up now generally?

MRS. VAN SWERINGEN: Okay. What I am trying to say is that what the Supreme Court said was that there should be discrepancies among pupils removed. I am saying that the cities, which cost the most, have been brought up. For instance, 77,000 pupils times \$500 is \$40 million. Five hundred pupils times \$500, to help them, would be a few thousand, in places such as Glen Gardner, say. So the big expensive areas that were to be brought up to meet the Supreme Court order have been brought up. That leaves a few suburban and some rural areas left.

I hope after you knock around all these plans, when the Legislature stops, that you give an order to revise the Bateman Formula. It is good for getting at the big areas of need, but it will be difficult to rewrite to get at the hard-to-get-at communities. I think that is the term Bateman used.

As to the money for this, in the last two years \$600 to \$700 million has come in. If you remember, Governor Cahill had a fex excise taxes to bring it up to \$2 billion; that was two years ago. The next year, the budget went from two billion something to two billion four, something like that.

ASSEMBLYMAN PERSKIE: Mrs. Van Sweringen, I hesitate to interrupt, but ---

MRS. VAN SWERINGEN: All right. I will just sum up. There was \$600 million that has come in in the last two years. Three hundred million of it people aren't used to getting it yet since it won't go out until June 30th.

In there is \$150 million that was the surplus that Cahill promised in letters to the boards. That can't be used this year, but since this act doesn't have to be effective until '75, that can be recovered; that is, that \$150 million can be used in the redistribution formula.

ASSEMBLYMAN PERSKIE: Fine. Thank you very much. We very much appreciate your analysis.

Louis Slee.

L O U I S S L E E: Thank you, gentlemen. My name is Louis Slee. I live in the City of Trenton. I am here not because I am against an income tax to replace property taxes, but because I don't like the Governor's proposal for tax reform.

The revenue raised by Governor Byrne's tax would not be dedicated to meeting the needs of education, as I have been able to find out by reading the press. If the new tax was to be solely used for funding school districts, replacing property taxes, the administration would not need the more than \$1 billion it seeks. Was the one-billion-dollar figure set up as a target and the tax plan devised to meet it? Or was the plan designed first to meet the court mandate and then the additional features added to it to increase the take? These are hard questions to answer and I hope the Legislature will address them.

One way to evaluate the Governor's tax plan is to look at it from another point in time. I am talking about the future. Let us assume that the plan is in effect and that the citizens of New Jersey are paying the new tax. According to the press report, a couple earning \$11,000 a year and paying \$190 a month for an apartment, will end up paying \$179 in income tax. I submit that that is an example which hits the middle class and I conclude that the tax will raise the greatest havoc and the greatest amount of revenue from the middle class. If that is so,

then the Byrne tax is an incentive for the middle class to move out of New Jersey. Those that cannot move may drop in economic status. Ten years from now New Jersey could become a much poorer state. How will taxes be raised then?

Assume the tax is in effect. What happens to the value of homes where the property tax on them has dropped an average of 25 percent? The administration propaganda machine points out that this is a benefit under the plan. But in reality it is not. A reduction in tax on property increases its market value and therefore the base for determining the tax rate. Imagine, if you will, the effect of a 10 percent increase in valuation on homes in Hamilton Township and Trenton. You know well that the remaining part of the property tax will go up and in a few years reach the level that existed before the income tax. If you accept any restriction on property tax, let it be at the three percent maximum rate.

Since I am looking at the plan from the viewpoint of its future impact, I think it is also fair to take into account the impact of inflation. There is no doubt the State government like every New Jersey family feels the bite of inflation. But the State has increased its budget to meet the cost push of inflation. The trend - at federal, state and municipal levels - is to increase budgets and then to increase taxes to fund the budgets. In the meantime the purchasing power of the family declines. Yet government claims it is concerned about inflation and urges restraint. What an irony! The government does not practice what it preaches. If there is anything the people of this nation and the citizens of New Jersey are concerned about most, it is inflation and the economy. I am sure you all agree and know that. One effect of that concern is the decline of public confidence in

government. Gentlemen, the message is clear - the people want limits on spending and, therefore, limits on taxes.

There is yet another effect the Byrne tax plan will have and that is on charitable institutions. Institutions such as the United Way, Boy Scouts, Red Cross, colleges, and, most important, the churches, all depend upon the good will of the public for donations. Families and individuals that set aside a portion of their income for charitable donations may very well limit those donations severely to compensate for loss of income due to the new taxes.

In conclusion, I would like to point out what I perceive to be the fundamental issue that we face - and by "we," I mean the Legislature, the institutions and the people that make up New Jersey. The 1972 New Jersey Tax Policy Committee report states that by 1980, state and local governments will have to enact new taxes or rate increases totalling \$1 billion to \$1.8 billion a year to close the recurrent revenue gaps. It is in the word "increases" and "revenue gaps" that we have the clue to the basic issue, the problem of our times. The issue is the growth of state government and the cost associated with such growth. Governor Byrne recently was quoted as saying four out of every five new jobs created in New Jersey are created by government. If that is true, then taxpayers are in trouble. Sometime in the future we are going to become subject to the law of diminishing returns. If that happens by chance, if we do not exercise control now, we are in for a very bad future. The issue is plain. Tax reform should be enacted, but not without budget reform that clearly and cleanly places limits on taxes and on how the revenue is used. The first place to start is with a strong limit on the Governor's plan. There is no doubt in my mind that you can do it. And when you consider the proposal, all that I ask is that

you think of yourselves in relation to the future, the economic future, and that present acts have future consequences.

Gentlemen, in summary, what I object to is that from all the press reports that I have read, the Governor requires something like \$558 million from an income tax to replace a like amount from the property tax. But he is asking in one report for \$950 million and in another report for \$1 billion and, in another newspaper, I read \$1.4 billion. I don't really understand why he should ask for a billion dollars when he needs \$558 million.

ASSEMBLYMAN PERSKIE: Mr. Slee, part of your confusion, which is certainly understandable, emanates from the variety of misinformation that has been accidentally or otherwise distributed.

The proposal before us by the administration contemplates the shift of not \$550 million, but something like \$750 million of local property taxes to the State budget via the State income tax, \$550 million of which would be used to fund the new education formula, \$200 million of which would be used to fund the State takeover of what is called a municipal-overburden program. The balance of the money will be used partly to provide the program known as the property tax limitation, which has a fiscal note of approximately \$200 million & that is in the form of the individual guarantees on property taxes, the so-called circuit-breaker approach - and the rest of the package that is included. But the major portion contemplated is the \$750 million shift from the property tax to the State budget.

MR. SLEE: My other question concerns whether or not this Committee and the Legislature has access to any forecasts on future expenditures expected in state government over five- or ten-year periods and whether or not they are taking into account other forecasts for gross

national product for incomes in the State of New Jersey and for expenditures?

ASSEMBLYMAN PERSKIE: Among the statistics which this Committee has and is considering are the kinds of projections you mentioned, together with the elasticity of the various existing and proposed State revenue sources that will enable us to meet those needs in the future.

I don't want to make an argument for or against anything. But among the features which we are considering are the abilities of the present State tax structure and the proposed structure to meet what we anticipate will be the tax need in the future without the necessity of coming back for additional taxes.

MR. SLEE: May I ask, sir, over what period of time in the future?

ASSEMBLYMAN PERSKIE: Some of the projections we have depend on the kinds of programs and taxes. Some of them are short term, two or three years; some of them are somewhat longer.

MR. SLEE: Is that information available to the public?

ASSEMBLYMAN PERSKIE: Some of it may be. That which we receive, we would make available in terms of our Committee meetings to the extent that we have it and the Committee meetings, of course, are open to the observation of the public.

MR. SLEE: Thank you.

ASSEMBLYMAN MAC INNES: Excuse the term, but Lou and I are friends. I think the question you raised about how far down the road this Committee or the Legislature has looked in terms of State expenditures is certainly a fair one. There are a lot of problems with that. At the federal level, for example, we don't have agreement between the major cabinet officers responsible for control of the economy at the federal level as to exactly what is going to happen this year, let alone what is going

to happen in two or five years.

The other side of the problem is that the needs of the State change sometimes rather quickly. Ten years ago, we didn't have a Medical School in the State. Ten years ago, we had six State Colleges and no community colleges and we had an enrollment at Rutgers of about 12,000. That has been increased about five fold in that period. I am sure that there are needs that should be looked at. I think the point that Steve makes is an important one, that the tax structure we have now does not respond as efficiently as it could to changes in the economy, and the property tax response least efficiently.

MR. SLEE: That's quite plain. Thank you.

ASSEMBLYMAN PERSKIE: Any other members of the Committee have any other comments?

Mr. Slee, we thank you very much for your patience and also your testimony.

Mr. William Kanninen.

W I L L I A M K A N N I N E N: I want, of course, to thank you for the opportunity to appear before you gentlemen.

I am a former State Chairman of Young Americans for Freedom and the present Chairman of the Middlesex-Monmouth Chapter. I am a resident of Lawrence Harbor.

I don't have a prepared statement, unfortunately. I'm sorry.

First, I would like to dispose of what I consider to be a false issue; that is, to give a good example of it, last Friday when the WNBC Television Station in New York endorsed the State income tax, they said essentially the Legislature and the people of New Jersey have no choice at all about the matter - in fact, you are just going through the motions - because either you will do it or the courts will do one of several ridiculous things, such as passing its own taxes or maybe putting the full burden

of education on the property tax and nullifying any support from the State.

I believe this is a false issue because the Legislature and the people have the power through constitutional amendment to nullify the so-called Botter Decision and affirm the legality of the last 198 years of educational financing in New Jersey. If the Legislature passes an income tax on the excuse that the Botter Decision left them no alternative, there will be those who will remind them that there was an alternative in the resolution proposed in the Senate, I believe, by Senator Davenport, and in the Assembly by Assemblyman Orechio. I was sitting in his seat while I was waiting to go on here. It is the people of New Jersey who have the sovereign power in this State, not a member or members of the Judiciary. We have heard enough of court mandates. Mandates come from the people.

ASSEMBLYMAN PERSKIE: Mr. Kanninen, let me hasten to assure you that as far as this Committee is concerned - and I would include in this instance this Committee in its jurisdiction as it sits in both Houses because in this instance I think I can speak for Chairman Merlino - that any action that we take and any proposals that we come forward with will be as a result of the will of the Legislative Branch of this government as it determines what it thinks is appropriate and not that of the dictates of either of the other two branches of government.

MR. KANNINEN: I am glad to hear that because some of the arguments you hear one way or another - for example, the editorial on NBC - sometimes leave the impression that the Legislature will be acting as somebody's rubber-stamp.

ASSEMBLYMAN PERSKIE: We do not consider ourselves bound by the NBC editorial.

MR. KANNINEN: In that, we agree.

I oppose the plan to reform the New Jersey tax system because a plan to reform the tax system is a plan to make a larger tax burden easier to bear, which is to say, to use a phrase that has been used here today, more efficient. This way, in future years, members of the Legislature will find it easier to increase future spending and taxes.

The gentlemen who were here earlier from Princeton, who are unquestionably intelligent and humane, missed the main point. They are people who have put a lot of study into this question, but they are clearly people from the academic environment. I have spent some time taking part in public affairs. From my experience, it appears that our representatives will raise our taxes until the tax burden is intolerable. The property tax has now reached that point. So now we must have an income tax. Presumably when the property tax and the income tax are both intolerable, we will get a value added tax or some other new tax. The fact is, expenditures will rise to meet the revenue-producing potential of the taxes in force at that time.

I believe in the people's ability to run their own lives; especially after some of the events that have taken place on the national scene in the last few years, it is obvious that they do not want the government to provide for their every need. In general, they want the government to get off their backs.

The second point is that there seems strong evidence that the income tax is not really needed; that is, we do not need another tax to provide sufficient money to educate our children. Because of various social acts of the past few years, including abortion and birth control methods, the birth rate in this country has been declining. The present junior or senior class in high school is considered nationally the largest class in the foreseeable

future. Each class after that will be smaller.

ASSEMBLYMAN PERSKIE: I wish you wouldn't use that phrase.

MR. KANNINEN: Which one?

ASSEMBLYMAN PERSKIE: "Foreseeable future."

MR. KANNINEN: That killed my punch line too, but I will use it anyway.

In the next 17 years, in any case, each class will be smaller than the one before, which is the reverse of the experience up to now. The fact is with an equal amount of money going into the educational system in a decade or so, there will be half as much money provided per pupil. I believe, therefore, there is not a real need for additional expenditures. The only question is one of relieving the tax burden so that the Legislature at some future time will find it easier to have greater expenditures and, therefore, propose higher taxes.

Gentlemen, I have to say that I believe Governor Byrne and the members of the State Legislature can live up to their campaign pledges and we will all see no need for a State income tax in the foreseeable future.

ASSEMBLYMAN PERSKIE: That doesn't apply, I assume, to those who campaigned on a pledge to reform the tax structure by means of a State income tax.

MR. KANNINEN: Obviously not. I am of the impression that that was a minority, but I am not certain.

SENATOR MERLINO: There were quite a few.

MR. KANNINEN: I know there were.

ASSEMBLYMAN PERSKIE: Does any member of the Committee have any questions for Mr. Kanninen? (No response.)

We thank you very much, sir.

Ladies and gentlemen, that concludes this session of this hearing. There is one comment I would like to make. By the way, as I indicated, the Taxation Committee

of the Assembly will be starting its regular Committee meeting tomorrow morning at 9:30 in the Assembly Lounge. The meetings are not open for public participation, but they are, as all meetings of Assembly Committees are, open to observation by the general public.

I want to re-emphasize that with the exception of the bills voted out this morning on the constitutional amendments, no binding decisions have been made on any questions.

I want to point out that we have been fortunate all through the day since two o'clock this afternoon and continuously to have had the benefit of having these proceedings telecast on the Public Television Network of the State of New Jersey. I want to express the feeling of both Committees that this constitutes a genuine public service in the highest interest of all of the people of the State of New Jersey, on the ground that a thorough and adequate airing of all of the issues to be raised on these questions is very much in the best interest of not only the people, but also in the interest of the passage of the kind of legislation, in which, notwithstanding our differences, we can all take some satisfaction. So I believe the gratitude not only of this Committee but also of all of the witnesses and all of the people of the State should go to the Public Television Network of the State and, also, of course, to the staff who have been here all day.

We will stand in recess. The Committee meeting will convene at 9:30 tomorrow morning, members of the Committee and the good Lord willing.

(Hearing Concluded)

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ECONOMIC IMPACT TO MUNICIPALITIES

I have made a study of the effect of my school funding program on the municipalities in my assembly district. It indicates a local tax impact as follows:

<u>Municipality</u>	<u>% Decrease in Taxes</u>
Asbury Park City	28.2
Boro of Avon-By-The-Sea	31.8
Belmar Borough	27.4
Bradley Beach Borough	33.0
Borough of Brielle (Estimate as we don't have complete figures)	39.7
Interlakes Borough	15.4
Borough of Masasquan	26.7
Point Pleasant Beach Borough	41.1
Borough of Spring Lake	22.2
Wall Township	41.2
Neptune Township (Estimate as we don't have complete figures)	31.8

In addition I analyzed the impact on two (2) Middlesex County Communities, it being:

<u>Municipality</u>	<u>% Decrease in Taxes</u>
City of New Brunswick	35.3
Township of South Brunswick	39.1

SCHOOL TAX FINANCING
SOURCE OF FINANCING
FUNDS UTILIZED AS MUNICIPAL REVENUE
AND OTHER FUNDS

<u>ITEM</u>	<u>ESTIMATED YEAR 1975</u>
Motor Fuel Tax Refund	\$ 6,000,000.00
Business Financial Tax	12,900,000.00
Inheritance Tax (To Counties)	4,100,000.00
Insurance Tax (To Counties)	11,600,000.00
Sales Tax Aid (P.L. 1968 - CH-302)	37,500,000.00
Personal Property Tax Replacement (A)	160,200,000.00
Railroad Replacement State Aid	12,900,000.00
Public Utility - Gross Receipts	132,700,000.00
Public Utility - Franchise	96,500,000.00
Insurance tax	8,100,000.00
Bank Stock Tax	9,800,000.00

INCREASE IN REVENUE BASIS

Personal Property Tax Replacement (A)

Increase Rate of Respective
Taxes involved by a Factor
of 5

5 x 160,200,000. = 801,000,000.

Less Item (A)

Above 160,200,000.

Additional Income

640,800,000.00

TOTAL

1,133,100,000.00

School Debt Service, Building Operation
and Maintenance Estimated to Relieve
School Requirements as Follows:

Estimated Average Cost for Above=

\$400,000. x .585 =

234,000,000.00

TOTAL REVENUE AND SAVING

1,367,100,000.00

SCHOOL TAX FINANCING

SOURCE OF FINANCING

FUNDS UTILIZED AS MUNICIPAL REVENUE

AND OTHER FUNDS
(Continued)

<u>ITEM</u>	<u>ESTIMATED YEAR 1975</u>
State Road Aid Funds - Formula	\$ 4,500,000.00
State Road Aid Funds - Construction	2,100,000.00
<u>INCREASE IN REVENUE BASIS (25%)</u>	
Public Utility - Gross Receipts	33,100,000.00
Public Utility - Franchise Tax	24,100,000.00
<u>Establish a School Support Levy to be Levied Against:</u>	
Municipal Utilities	
Municipal Authorities	
County Authorities	
State Authorities	
Tax to be Based on 5% of Levy for	
Services Rendered	
Estimate	
.585 x 50,000. (Municipal)	29,250,000.
Other Estimate -	
County, State, Etc.	<u>5,000,000.</u>
	34,250,000.00
<u>Industrial, Commercial and Apartment Stabilization Levy</u>	
Tax reduction limited to 10% - if lower rate - difference goes into a fund known as Reserve for School Purposes	
Levy estimated at 15%	
Estimated Levy - 1974	72,171,000,000. (Billion)

SCHOOL TAX FINANCING

SOURCE OF FINANCING

FUNDS UTILIZED AS MUNICIPAL REVENUE

AND OTHER FUNDS
(Continued)

<u>ITEM</u>	<u>ESTIMATED YEAR 1975</u>
(Billion) (Billion) 15% of 72,171,000,000. = 10,825,625,000.	
Estimated 10% to be transferred to Reserve for School Purposes	
10% of 10,825,625,000. =	\$ 108,200,000.00
<u>TOTAL ESTIMATED REVENUE AND SAVING</u>	<u>\$ 1,573,350,000.00</u>

SCHOOL FINANCING PLAN

MUNICIPALITY _____

ASSESSED VALUATION \$ _____

	AMOUNT	TAX RATE	PERCENT
1. <u>Tax Rate - Total</u>	\$ _____	\$ _____	% _____
2. <u>Less School Tax Rate</u>	(~) _____	_____	_____
3. <u>Adjusted Tax Rate and Amount</u>	\$ _____	\$ _____	% _____
4. <u>Add: School Costs and Services to be Picked-up by Municipality</u>			
Debt Service	\$ _____	\$ _____	XXX
Operation of Plant (Building Services)	_____	_____	XXX
<u>Total - Item 4</u>	(+) \$ _____	\$ _____	% _____
<u>Adjusted Tax Rate and Amount (Item 3 plus Item 4)</u>	\$ _____	\$ _____	% _____
5. <u>Add: Transfer of Municipal Revenues from Budget to be Applied to School Costs</u>			
State Road Aid Funds - Formula	_____	_____	XXX
State Road Aid Funds - Construction	_____	_____	XXX
Franchise Taxes	_____	_____	XXX
Gross Receipts Taxes	_____	_____	XXX
State Aid - Railroad Tax	_____	_____	XXX
Replacement Revenue - Business Receipt Tax	_____	_____	XXX
Replacement Revenue - Business Personal Property	_____	_____	XXX
State Sales Tax Aid Per Capita	_____	_____	XXX
State Aid - Highway Lighting	_____	_____	XXX

(Continued)

SCHOOL FINANCING PLAN

MUNICIPALITY _____

ASSES VALUATION \$ _____

	AMOUNT	TAX RATE	PERCENT
5. <u>Continued</u>			
Other Revenues From State:			
_____	\$ _____	\$ _____	XXX
_____	_____	_____	XXX
_____	_____	_____	XXX
<u>Total - Item 5</u>	(+) \$ _____	\$ _____	_____ %
6. <u>Net Tax Rate and Amount</u> <u>(Item 4 plus Item 5)</u>	\$ _____	\$ _____	_____ %
7. <u>Net Reduction (Item 1 less</u> <u>Item 7)</u>	\$ _____	\$ _____	_____ %

Estimated Tax Savings

Tax Liability (Estimated)	\$ _____
Adjusted Tax Rate (____%)	_____
Tax Liability Savings (Estimated)	_____

DATA SOURCES

Population: U.S. Census of Population, 1970
Number of Families in Community: U.S. Census of Population 1970
Average Family Income: U.S. Census of Population, 1970
Assessed and Equalized Valuations of Property:

"Equalization table for County of Monmouth for the Year
1974" dated January 22, 1974 prepared by Monmouth
County Board of Taxation.

Percentages residential, commercial/industrial etc.:

N.J. Tax Policy Committee Report, Volume 2
dated February 23, 1972, Table A-2

Number of Public School Pupils by Community, 1974:

Monmouth County Superintendent of Schools

1974 Property tax rates based on current school aid:

Asbury Park Press - June 12, 1974

1974 Property tax rates based on Gov. Byrne Tax Plan:

Asbury Park Press - June 12, 1974

GENERAL STATISTICS

	POP. 1970	AVG. INCOME PER FAMILY 1970	PUBLIC SCHOOL PUPILS 1973-74	EQUALIZED VALUATION PER PUPIL 1973-1974	TAX RATE 1974
ALLENHURST	1012	14395	64	279772	3.08
ASBURY PARK	16108	8117	2988	33298	6.74
ATLANTIC HIGHLANDS	5081	13387	908	57622	5.00
AVON	2151	11554	328	105474	4.15
BELMAR	5705	10993	757	94883	3.20
BRADLEY BEACH	4163	8533	779	54582	5.30
BRIELLE	3586	16776	892	72435	3.55
CULTS NECK	5751	19543	2006	56651	2.89
DEAL	2394	22549	340	157894	2.9
EATONTOWN	11556	10721	2836	37979	2.8
FAIR HAVEN	6142	19045	1527	47694	5.35
FARMINGDALE	1148	11686	244	38494	4.70
FREEHOLD	10453	12452	2080	44756	4.53
FREEHOLD TWP	12997	15176	4802	42516	4.40
HAZLET	22144	12703	6459	26801	5.1
HIGHLANDS	3876	9555	721	38349	5.86
HOLMDEL TWP	5962	17824	2543	68204	3.55
HOWELL TWP	21709	12184	4582	32948	3.64
INTERLAKEN	1182	23656	48	352242	8.1
KEANSBURG	9491	9333	2216	26310	5.06
KEYPORT	7035	11220	1572	38921	4.65
LITTLE SILVER	6003	19854	1316	65363	4.15
LONG BRANCH	30914	11372	5446	39956	5.74
MANASQUAN	4961	12227	907	93754	3.97
MARLBORO TWP	10819	14940	3987	37882	4.1
MIDDLETOWN	53769	15054	13519	45228	3.6
MILLSTONE	2479	11822	763	49304	4.33
MONMOUTH BEACH	2039	15972	490	65606	3.20
NEPTUNE CITY	5363	10380	911	51987	4.28
NEPTUNE TWP	27183	10578	6595	36089	4.52
OCEAN TWP	18607	15495	5002	49894	5.01
OCEANPORT	5007	13695	1143	66600	3.10
RED BANK	12659	11352	2012	66195	3.89
ROOSEVELT	814	14676	179	43489	6.29
RUMSON	7412	24889	1771	75828	3.86
SEA BRIGHT	1337	11453	188	127605	3.55
SEA GIRT	2207	19651	432	157515	2.74
SHREWSBURY	3283	18202	482	83143	3.95
So. BELMAR	1470	9966	255	62697	3.87
SPRING LAKE	3886	21667	454	205381	2.27
SPRING LAKE HTS	4594	11526	742	63234	2.33
UNION BEACH	6472	9980	1625	21481	5.12
WALL TWP	16291	12629	4156	53384	4.33
W. LONG BRANCH	5947	14810	895	53213	4.62
			93898		
			TOTAL		

EQUALIZED PROPERTY TAX RATES

	EQUALIZED PROPERTY VALUE PER PUPIL RANK		CURRENT TAX RATE %	GOV. BYRNE'S TAX PLAN		PROPOSED TAX PLAN A1644	1000/PUPIL TAX PLAN		
ALLENHURST	2	39	2.67	18	2.64	7	4.25	13	2.45
ASBURY PARK	40	1	5.75	2	3.26	1	6.93	1	5.52
ATLANTIC HIGHLANDS	20	22	3.45	25	2.46	35	3.12	33	1.73
AVON	7	32	3.00	7	2.99	11	4.05	20	2.24
BELMAR	8	35	2.94	17	2.66	22	3.78	25	2.11
BRADLEY BEACH	22	9	4.04	6	3.05	8	4.23	6	2.73
BRIELLE	12	28	3.30	13	2.77	20	3.79	21	2.23
COLTS NECK	21	40	2.55	44	1.76	44	2.73	44	1.21
DEAL	4	38	2.70	15	2.67	14	3.75	18	2.25
EATONTOWN	37	33	2.99	34	2.26	41	2.91	43	1.36
FAIR HAVEN	28	8	4.08	10	2.87	25	3.67	17	2.30
FARMINGDALE	35	16	3.72	22	2.51	37	3.27	34	1.86
FREEHOLD	30	10	3.95	12	2.84	24	3.69	22	2.21
FREEHOLD TWP	32	12	3.83	27	2.39	32	3.52	27	2.03
HAZLET	42	20	3.57	32	2.26	38	3.24	26	2.10
HIGHLANDS	36	3	4.37	4	3.12	17	3.84	19	2.74
HOLMDEL TWP	13	30	3.10	31	2.32	23	3.74	31	2.01
HOWELL TWP	41	15	3.75	28	2.38	40	3.12	25	1.82
INTERLAKEN	1	42	2.33	33	2.26	19	3.79	23	2.15
KEANSBURG	43	7	4.29	21	2.61	27	3.61	11	2.52
KEYPORT	34	11	3.91	29	2.37	12	4.02	8	2.62
LITTLE SILVER	17	17	3.71	9	2.75	16	3.70	14	2.42
LONG BRANCH	33	14	3.76	37	2.21	21	3.77	15	2.36
MANASQUAN	9	31	2.84	14	2.70	26	3.64	20	2.02
MARLBORO TWP	38	21	3.55	43	1.78	43	2.81	12	1.49
MIDDLETOWN	29	27	3.31	40	2.06	42	2.89	40	1.52
MILLSTONE	27	29	3.20	39	2.13	31	3.53	32	2.01
MONMOUTH BEACH	16	37	2.71	36	2.22	33	3.46	26	1.79
NEPTUNE CITY	25	23	3.43	24	2.48	28	3.60	29	2.02
NEPTUNE TWP	39	4	4.22	20	2.62	10	4.06	5	2.79
OCEAN TWP	26	13	3.77	26	2.44	18	3.20	16	2.35
OCEANPORT	14	31	3.08	30	2.36	34	3.45	36	1.80
RED BANK	15	5	4.16	3	3.25	4	4.62	4	2.76
ROOSEVELT	31	6	4.12	19	2.63	15	3.95	9	2.57
RUHSO	11	19	3.62	8	2.76	13	4.00	12	2.48
SEA BRIGHT	6	18	3.67	1	3.41	3	4.96	3	3.11
SEA GIRT	5	44	2.06	42	2.00	37	3.19	41	1.52
SHREWSBURY	10	25	3.38	11	2.87	6	4.40	7	2.39
So. BELMAR	19	41	3.34	16	2.69	2	5.35	24	2.14
SPRING LAKE	3	43	2.12	41	2.06	30	3.54	27	1.76
SPRING LAKE HTS.	18	34	2.97	35	2.24	36	2.38	27	1.80
UNION BEACH	44	2	4.40	5	3.07	5	4.51	2	3.53
WALL TWP	23	26	3.38	38	2.20	27	3.56	15	2.03
W. LONG BRANCH	24	24	3.40	23	2.50	9	4.20	10	2.56
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74 B									
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RESIDENTIAL PROPERTY TAX BURDEN (% AVG. INCOME)

APRIL COMMITTEE 1/24/74

	EQUALIZED PROPERTY VALUE PER PUPIL	AVG. INCOME PER FAMILY	CURRENT PROPERTY TAX BURDEN %	GOV. BYRNE'S PROPERTY TAX BURDEN %	A 1644 PROPERTY TAX BURDEN %	1000 / PUPIL PROPERTY TAX BURDEN %
ALLENHURST	2	19	32 8.73	13 8.59	12 13.09	10 7.77
ASBURY PARK	40	44	12 11.24	30 6.37	13 12.53	2 10.21
ATLANTIC HIGHLANDS	20	21	31 8.81	32 6.25	32 8.74	35 4.77
AVON	7	29	4 14.11	1 14.05	1 19.01	3 10.51
BELMAR	8	35	39 7.93	11 9.10	14 12.94	17 7.21
BRADLEY BEACH	22	43	1 16.43	2 12.40	5 17.22	1 11.11
BRIELLE	12	11	13 11.20	9 9.41	15 12.88	13 7.50
COLTS NECK	21	7	20 10.35	24 7.15	22 11.07	37 4.75
DEAL	4	3	18 10.47	8 10.43	9 15.27	8 8.70
EATONTOWN	37	36	42 6.55	41 4.88	43 6.29	43 2.25
FAIR HAVEN	28	8	23 9.93	28 6.70	33 8.57	31 5.38
FARMINGDALE	35	28	43 5.92	44 3.98	44 5.18	44 2.75
FREEHOLD	30	24	38 8.15	35 5.85	42 7.60	41 4.81
FREEHOLD TWP	32	14	5 13.21	15 8.23	17 12.13	19 7.00
HAZLET	42	22	34 8.64	39 5.44	41 7.78	39 5.05
HIGHLANDS	36	41	17 10.55	19 7.54	29 9.27	27 5.10
HOLMDEL TWP	13	10	9 11.97	12 8.91	11 14.39	11 7.73
HOWELL TWP	41	26	11 11.34	23 7.17	28 9.42	29 5.49
INTERLAKEN	1	2	44 5.17	40 5.00	35 8.39	37 4.16
KEANSBURG	43	42	27 9.28	34 5.91	37 8.18	28 5.71
KEY PORT	34	34	35 8.26	42 4.83	38 8.20	32 5.34
LITTLE SILVER	17	5	28 9.18	21 7.29	26 9.62	26 5.16
LONG BRANCH	33	32	41 7.77	43 4.57	40 7.95	36 4.40
MANASQUAN	9	25	6 12.67	4 12.03	8 16.21	7 1.17
MARLBORO TWP	38	16	7 13.62	26 6.95	25 9.88	33 5.04
MIDDLETOWN	29	15	25 9.58	33 5.96	36 8.35	42 4.40
MILLSTONE	27	27	2 16.18	7 10.74	4 17.82	5 10.11
MONMOUTH BEACH	16	12	3 14.77	3 12.08	2 18.58	6 7.70
NEPTUNE CITY	25	30	40 7.82	38 5.66	37 8.20	31 4.60
NEPTUNE TWP	39	37	26 7.34	36 5.80	31 8.98	28 6.18
OCEAN TWP	26	13	16 11.01	25 7.12	21 11.09	20 6.51
CLEANPORT	14	20	36 8.24	31 6.31	30 9.22	38 4.80
RED BANK	15	33	19 10.40	16 8.12	20 11.54	14 7.31
ROOSEVELT	31	18	22 10.04	29 6.39	27 9.60	24 6.24
RUHSON	11	1	24 9.75	17 7.95	23 10.78	22 5.51
SEA BRIGHT	6	31	8 12.13	5 11.20	7 16.34	4 10.25
SEA GIRT	5	6	15 11.03	6 10.70	6 17.18	9 8.21
SHREWSBURY	10	9	20 8.93	18 7.56	19 11.59	18 7.08
SO. BELMAR	19	40	10 11.48	10 9.25	3 18.42	17 7.77
SPRING LAKE	3	4	33 8.71	14 8.48	10 14.53	16 7.22
SPRING LAKE HDS	18	30	29 9.02	27 6.80	24 10.25	30 5.41
USICK BEACH	44	39	37 8.24	37 5.75	34 8.43	23 6.60
WALL TWP	23	23	14 11.20	22 7.29	18 11.81	21 6.74
W. LONG BRANCH	24	17	21 10.16	20 7.45	16 12.53	12 7.65
AVG 165		75 A	10.19	7.72	11.56	



LEAGUE OF WOMEN VOTERS OF NEW JERSEY

460 BLOOMFIELD AVENUE, MONTCLAIR, NEW JERSEY 07042 TELEPHONE 746-1465 AREA CODE 201

June 6, 1974

TO: Members of the New Jersey Legislature
FROM: Dorothy Powers, President
 Mary Nash, Fiscal Policy Chairman

As you are aware, there have been no specific proposals for the revenue raising measures which will be required if we are to provide increased and equalized state school aid and to pay for court, welfare and other costs as proposed by Governor Byrne. Since the proposal was made public, the League has heard or read statements by various legislators that we do not need an income tax. We are well aware that there are methods other than the income tax which could accomplish a shift from the local property tax, including a statewide property tax, increased sales tax, removing exemptions from clothing, food and taxing services, etc. In light of these alternatives, the League would like to review some of the major reasons why we believe that an income tax would be the best source of tax revenue to replace local property taxes, as well as why a progressive tax would be the best type of income tax.

1. It would reduce the regressive nature of the present New Jersey tax structure so that the tax burden falls more evenly on all our citizens.
2. It would provide a more balanced tax structure which would be more capable of providing adequate revenues to meet future needs.
3. It would reduce the overreliance on the property tax which has had serious side effects on housing, land use, zoning and transportation as well as education.

Regressive Tax Structure

Numerous studies both by the state and other groups have shown that our present state and local tax structure is one of the most regressive in the country. The tax burden on New Jersey citizens varies from as little as 7% for those making over \$25,000 to 20% or more for those with incomes of only a few thousand dollars. Many of our senior citizens are among those particularly burdened by this structure. This great disparity is caused by the heavy reliance on the local property tax. New Jersey is 49th among the states in its reliance on the property tax. The result is that the effective property tax rate per \$100 is one of the highest in the United States.

(more)

The only way to shift the tax burden so that all citizens pay a more equal percent of income in taxes is through a progressive income tax. A statewide property tax would not reduce the differences in tax burden on various income levels, but would continue the present regressive impact.

Elastic Tax Structure

The income tax responds more quickly to changes in our economy than any other state tax. Our present overall sources of state revenues do not grow at as fast a rate as costs. Its elasticity rate is next to lowest of all states. Adding an income tax would balance our revenue structure so that it would grow at a rate that would meet future as well as current needs. And it would do this without adding to the already staggering tax burden imposed on low and moderate income families which would result from dependence on a statewide property tax for increased revenues.

Side Effects of Property Tax

As serious as the above problems are, perhaps even more disturbing are the side effects of our present overreliance on the property tax. Municipalities are forced into defensive zoning which leads to over-zoning for business and industry. Towns zone in large lot, large size houses and zone out small home tracts and apartments. The resultant high costs for housing coupled with high property taxes mean that the income of over two thirds of the families are too low to afford any new home in New Jersey. And these same people have great difficulty in finding an apartment. That New Jersey has one of the severest housing shortages in the country can in part be traced to our tax policies.

The resultant urban sprawl also greatly complicates our attempts to provide mass transportation, makes the provision of utilities more costly, and reduces the amount of open space. The dispersion of business and industry from high tax urban areas to low tax suburban or rural tax areas which limit homes means that many potential workers cannot get to available jobs. Our present high unemployment rate, particularly in some of our cities, is partly due to our tax policies.

(more)

Defensive zoning also forces municipalities to use our land in ways which are destructive. Ecological considerations are ignored in the race for ratables.

We do not contend that passage of an income tax will solve any or all of these problems instantly. We do believe that continuation of the present overuse of the property tax, local or statewide, will mean a continuation of the battle for ratables, the misuse of land, and the zoning out of varied types and sizes of housing. An income tax should, at the least, lessen these pressures and give hope of moving towards solutions.

Progressive Income Tax

We also urge you to enact an income tax with a progressive rate structure. Not only will this reduce regressiveness and provide a more elastic system which will grow to meet future needs, but it will also cost the taxpayers of New Jersey less money. With a graduated state income tax, those taxpayers with high incomes deduct a larger amount from their federal income tax. Since these people are in higher tax brackets they receive a larger reduction in their federal taxes. The following table shows the actual cost to New Jersey taxpayers of the various income tax proposals. (figures in millions)

	<u>Yield</u>	<u>Cost*</u>
Tax Policy Committee	675	450
2 1/2% of Adj. Gross (<u>A.1666</u>)	550	400
12 1/2% of Federal	625	400
2% of Gross	750	550
1/2 New York rates	650	425

*After allowing for the deductability of a state income tax when computing the federal income tax.

(more)

You will note that both the piggyback on the federal income tax and the flat rate as proposed by Assemblyman Hamilton would cost taxpayers the same amount of money, about \$400 million. But the state would have \$75 million more in revenue with the progressive percentage of federal. This is a feature you surely cannot afford to overlook in determining the type of income tax.

Included with this letter is a graph showing the impact of several possible income tax proposals on different income levels. You will note that taxpayers making less than \$11,000 would pay less with the Tax Policy Committee income tax proposal than any other shown. Since the median income is about \$11,000, about one half of New Jersey taxpayers would fall in this category.

Also included are two tables showing tax burdens under the present system and under other possible new taxes. Table I assumes no property tax reduction. Table II assumes the total yield of any new or increased state tax would be used for property tax reduction. In actuality, the effect of the proposed program would probably fall somewhere between the two.

The LWV is not alone in recognizing the problems of our present tax structure. Thirteen state tax studies as well as a 1971 study by the New Jersey Taxpayers Association have singled out the overuse of the property tax as a causal factor in some of our most serious problems. It seems that the necessity of acting to do something about our unconstitutional school funding system provides us with a great opportunity to also attack other serious problems of tax structure. The adoption of a progressive income tax is the only tax which will help overcome these deficiencies. We urge you to take a broad view and to enact measures which will attack other problems at the same time we are solving our school funding situation.

LEGISLATIVE MEMO

LEAGUE OF WOMEN VOTERS OF NEW JERSEY • 460 BLOOMFIELD AVENUE, MONTCLAIR, N. J. 07042



June 13, 1974

TO: Members of the New Jersey Legislature
FROM: Dorothy Powers, President, League of Women Voters of New Jersey
Mary Nash, Fiscal Policy Chairman, League of Women Voters of N.J.

After careful review of Governor Byrne's proposals, the League of Women Voters is supporting his suggestions. The League has developed positions on education and tax reform by which we judged these proposals. We found the program would contribute substantially to meeting the following League goals:

- Education: * provide increased state aid to equalize opportunity and improve quality.
- Taxation: * reduce dependence on the property tax;
* reduce disparities in tax rates and services among communities;
* encourage land use decisions based on human and environmental needs rather than fiscal needs;
* raise state revenue with a graduated personal net income tax; and
* increase the progressivity and equity of the tax structure.

The League recognizes the program will not solve all New Jersey's problems but it is a necessary first step which will make solutions possible.

Education

We support: a shared-cost plan of school funding with at least 50% state support; state sharing to the 65th percentile; full state funding of excess costs for high-cost students such as handicapped, vocational, bilingual, and those needing compensatory education; state sharing of debt service costs and adequate funding for emergency building aid. We also support full state funding of school transportation costs which are not included in the Governor's proposals.

This program identifies needs and directs state school aid where needs are greatest. The guaranteed valuation per pupil and the limit of state sharing should be written so they adjust to changing valuations and expenditures. This is necessary to keep state aid at 50% and prevent re-escalation of property taxes.

To have the excess costs program, if categories are properly defined to include all children needing a more costly education, is the best way to provide a thorough and efficient education for these students. It would encourage identification since districts doing so would not be financially penalized. It would insure that the money goes for specific programs designed to meet students' needs, which may or may not be using a system of weightings. Weightings reflect average costs but not necessarily actual costs in individual school districts.

We believe the sharing of debt service costs will meet the needs of most districts but is insufficient for fast-growing districts or those with severe replacement problems. Unless the emergency building program is expanded considerably, it seems unlikely it will be able to meet these special needs.

Assessments must be truly equalized over the state to insure that a valuation of \$106,000 per pupil means the same in every district.

Municipal Overburden

The League supports state financing of county and municipal welfare costs, court costs, payments in lieu of taxes on state-owned property, and tax make-up on subsidized housing. All these measures would reduce differences in tax rates among municipalities and would equalize the tax burden on individuals for providing the same services, making it fairer. They would also limit re-escalation of local property taxes since increased costs for court and welfare services, new state buildings, or tax-abated housing would not be added to the local tax burden. Making up the tax loss on subsidized housing will remove the penalty suffered by municipalities accepting such housing and may help relieve the housing shortage for senior citizens and low and moderate income families.

Taxation

The League supports the proposed graduated personal net income tax and the minimum 3% gross income tax for those with incomes over \$50,000. See our letter of June 6, 1974 for the reasons the League supports a graduated personal net income tax. We believe the inclusion of a minimum 3% tax makes the system more progressive than the federal tax and answers the legitimate complaint that those with high incomes can escape taxation.

Although we believe that business should pay a fair share of taxes, we are unable to determine the effects of the business real estate tax. We certainly agree that those businesses located in tax havens should pay more, but we do not want to discourage new or expanded businesses needed for increased job opportunities. The proposed tax clearly will affect businesses in low-tax areas while excluding those in high-tax areas. Two questions we have are whether or not it will raise the projected amount of revenue and whether or not it will discourage industries which require large installations.

Tax Limits

The League supports limits on local property taxes for individual taxpayers and on annual budget increases. Limiting the amount of property tax paid by any taxpayer based on his income is the best method of insuring no citizen pays an undue amount to keep a roof over his head. Even if the local property tax rate increases, no taxpayer must pay above his limit. State funding of the cost in excess of the taxpayer's limit insures the municipality of adequate revenue to provide services without overburdening any of its residents. It will reduce our dependence on the property tax and help to limit the total amount of revenue raised from that source. It will help senior citizens and those with low incomes, even if they live in a wealthy community which receives little or no property tax reduction from other parts of the program. Tenants will benefit from this limit in the same manner as homewoners. Everyone in the state will be treated equally.

(more)

One of the major fears of most citizens and legislators has been that, even with an income tax, the amount of property taxes would not be reduced or would simply re-escalate in the future. This program, however, will reduce property taxes and any escalation will be severely limited by a number of features in the proposed program. A flexible guaranteed base for school aid will insure state aid will increase with costs and not fall below 50%. State funding of courts and welfare mean that increased costs for these services will not fall on local property taxes. The "circuit breaker" protects individuals by placing a ceiling on the amount they must pay. And the 6% limit on annual increases will act to hold down increases. These deterrents will keep increases low, while not putting a strait jacket on local governments.

The League opposes use of a statewide property tax by itself to fund the proposed changes. Although we recognize it would even out property tax rates to some extent, it would increase our overreliance on property taxation. It would continue the regressivity of our present tax structure which places an undue burden on low and moderate income taxpayers.

The feeling that New Jerseyans are excessively taxed comes from the fact we do over-tax those with less income and fail to proportionately tax the wealthy. Adoption of a progressive income tax is the only way we can raise enough money for services without overburdening anyone. According to the 1970 census, half of the families in New Jersey have incomes less than \$11,400. The combination of benefits in this program would very likely provide some tax relief for every one of these families.

We expect the Legislature will act to meet the court requirement to restructure our school finance system. We urge you to enact this program to provide tax reform and tax equity as well.

Enclosures: Classification of Property
Dedication of Taxes

NEW JERSEY PUBLIC INTEREST RESEARCH GROUP (NJPIRG)
32 West Lafayette Street, Trenton, New Jersey 08608 (609) 393-7474

Testimony of Jim Hely, NJPIRG Tax Researcher, before Assembly Taxation Committee and the Senate Revenue, Finance and Appropriations Committee.

Good afternoon. I am Jim Hely, tax researcher for the New Jersey Public Interest Research Group (N.J.PIRG). The New Jersey Public Interest Research Group is a non-partisan, non-profit, student-funded and student-directed research organization supported by college students on eight New Jersey campuses.

N.J. PIRG views the tax reform measures presented to the Legislature by the Governor as a giant step toward improving the overall well-being of New Jersey. Much has been made of the positive effects the proposal will have on our system of public education and the shift in the tax burden. We feel the non-quantifiable outgrowths on our environment, our urban centers, and our economy are also important. If these proposals were to be made law, we could begin to have more meaningful land use planning due to decreased pressure for property tax ratables, and we could once again have cities that can attract and hold commerce and industry. We hope the assembly and Senate will take action to sharpen some of the legislation, but the proposals put forth represent an excellent outline from which to work.

The Constitutional Amendment Limiting the Rates
of Property Tax Increases (SCR 121 / ACR 176)

It is doubtful that many people truly understand what this addition to the Constitution will do. If passed this resolution would not limit the yearly increases in property tax bills; it would only limit increases in municipal tax rates. If we were to set a limit on property tax bill increases, as many believe this resolution does, the result would be disastrous. How could we set a limit of 6% or 3% on tax increases when the current annual inflation rate is 10 to 12%, with no one in the White House or on Capitol Hill in sight with a solution? Flatly limiting property taxes would leave policemen and firemen without even a chance of receiving a cost of living increase. However, even a limit on tax rate increases is untenable, unless the mechanisms for annual property appraisals updates are put in motion.

I have been informed by the Local Property Tax Branch of the Division of Taxa-

tion that they will be capable within eight months of providing the means for all taxing districts to update their appraisals through use of electronic data processing. The Division needs an appropriation from the Legislature to do this. Only after property evaluations can be kept up to date can we set a reasonable limit on tax rate increases.

The Business Stabilization Tax (A.1876)

The innovative Business Stabilization Tax appears to be a most appropriate method of handling the windfall incurred from reductions realized from local property tax cuts. Here it would seem the State should shoulder a little more responsibility in making certain our business and industry are assessed properly. We all probably are aware of some large property owners who appear to have received favorable treatment in the assessment process. Though the local assessors desire autonomy from the State, the assessors are often not responsible for appraising the large properties. The Division of Taxation can offer assistance and a check on local assessment.

The Income Tax (A.1875)

Before Governor Byrne made his proposals specific, N.J. PIRG urged him to consider an income tax not directly tied to the Federal Income Tax. We felt New Jersey should not suffer from the loopholes in the Internal Revenue Code. For simplicity's sake the Governor opted for a graduated tax on federal taxable income and created a minimum tax on gross income to catch those who unfairly benefit from the federal loopholes.

I have been unable to ascertain how the 3% figure for the tax on gross income was reached, but my calculations indicate that at this rate, the minimum tax would only rarely be used. If the point of this tax is to insure us that all taxpayers pay their fair share, raising the rate should be seriously considered.

<u>Adjusted Gross Income Bracket</u>	<u>Average Tax to be paid under 3% of Gross</u>	<u>Average Tax under proposed rate structure</u>
30,000-50,000	\$ 1,120	\$ 1,500
50,000-100,000	2,040	2,720
100,000-500,000	5,320	7,320
500,000-1,000,000	28,800	38,400
1,000,000 +	99,000	133,000

In an attempt to further attain fairness in the proposed income tax without negating the simplicity of it, we would like to suggest two changes, which could be easily implemented, that would serve to circumvent two loopholes in the federal system; the personal exemption and special treatment for income from capital gains.

The purpose of the personal exemption in the federal system is to give each taxpayer a special allowance for himself or herself and for his or her dependents. As is, however, this special allowance is more favorable to the wealthy than the middle and lower income taxpayers. The \$750 personal exemption deductible from income, means a great deal more when it is deductible from the income bracket taxed at 70%, than when it is deductible from incomes taxed at 31% or 14%.

The personal exemption should be in the form of a tax credit rather than deduction, in order to give the same special allowance to everyone. The change required in the Income Tax Bill, as now stated, would be only to define New Jersey Taxable Income as line 46 on the Federal Income Tax Return instead of line 48. Then a \$25 tax credit for each personal exemption claimed rather than the \$750 deduction could be added to the bill. The effect of this change is in the table below. (Table is for a family of four with an average 15% deduction from adjusted gross income.)

<u>Adjusted Gross Income</u>	<u>State Tax to be paid with \$750 deduction from income</u>	<u>State Tax to be paid with \$25 credit to the tax</u>
5,000	7.50	0
7,500	55.00	35.00
10,000	120.00	117.50
12,500	186.88	200.00
15,000	265.00	294.00
25,000	690.00	782.00
50,000	970.00	1,095.00
100,000	5,715.00	6,255.00

It would also not be difficult to eliminate the most glaring loophole of the Internal Revenue Code, that is special treatment for income received through capital gains. There are reasons this is included in the federal system, but there is no justifiable reason New Jersey shouldn't attempt to treat all income alike whether it comes from wages, rents, dividends, or capital gains. Only one in ten taxpayers benefits from the capital gains loophole, but the revenue loss is substantial.

<u>Adjusted Gross Income Bracket</u>	<u>Increase in Taxable Income if all Capital Gains are included</u>
50,000-100,000	8%
100,000-200,000	17%
200,000-500,000	36%
500,000-1,000,000	56%
1,000,000	70%

The adjustment in the New Jersey Income Tax in order to treat capital gains as ordinary income would be quite easy. Simply require all those having income from capital gains, to add line 15(a) of Schedule D from their federal return to their New Jersey taxable income. While not negating simplicity, fairness and revenue are added to the tax.

As the income tax stands now, with an ineffective minimum tax and the loopholes of the federal system, the proposed tax bears disproportionately hard on those in the \$25-50,000 range. Thus, many people earning their income from salaries or fees bear the load, while the super rich obtaining their income mostly from unearned income receive favorable treatment. This situation should be rectified, particularly if raising the income tax rates to lower the sales tax is considered.

One other comment concerns the 20% renter's deduction which may not be sufficient. The tenant will probably not realize any decrease in rent as property taxes decline. Yet homeowners benefit from deductions of property tax payments from the income tax, the circuit breaker, and a property tax reduction, while the renter only enjoys the benefits of the circuit breaker and the deduction. Raising the renter's deduction is worthy of consideration.

These criticisms are not meant to negate the overall value and necessity of the Governor's tax reform package. After careful research and evaluation, N.J. PIRG concludes that the Governor's proposals deserve approval, though they might be improved.

I appreciate your holding these hearings, and thank you for the opportunity to testify.

Jim Hely

JUDGING THE IMPACT OF THE MINIMUM TAX

By comparing the amount of adjusted gross income¹ in each of the high income brackets with the amount of tax preference income², it is possible to get a percentage of adjusted gross that tax preference income is. By taking New Jersey adjusted gross income by bracket and adding the percentage of adjusted gross income which can be estimated to be tax preference income, gross income for each bracket is tabulated. Because New Jersey taxable income figures are available and we've ascertained figures for gross income, it is possible to calculate an average gross income and an average taxable income. From these figures the tax from the 3% tax on gross and the tax under the rate schedule have been compiled.

¹ Statistics of Income, Internal Revenue Service, 1971 (these figures are three years old, but because they are being compared to each other, the relative effort should be the same).

² Tax preference income is only recorded by I.R.S. if it exceeds \$15,000. Therefore the figures for the lower income groups must be considered rough.

Prelim. Draft No. 1

April 1974

The Spending Limit Amendment
to the State Constitution.

Section 1. The following definitions apply to this article:
(a) "Emergency" means a sudden and unpredictable event which requires immediate action.

(b) "Expenditure" means any direct or indirect payment to anyone for a good or service.

(c) "General expenditure" means the total of all expenditures by all state agencies during 1 year.

(d) "Personal income" means the total of all income to the people of this state during 1 year as determined by the United States Government.

(e) "State agency" means any state department, agency, commission, and corporation, if the state owns more than 20% of the outstanding stock or controls more than 20% of the votes of the board of directors of the corporation.

Section 2. The state government shall determine the general expenditures for each year according to the following formula:

$$\frac{\text{General Expenditure}}{\text{Personal Income}} = .07.$$

Section 3. Before January 15 of each year, the Governor shall submit to the Legislature a budget which satisfies the formula of Section 2. The budget shall be divided into general expenditures for each quarter. Before April 15 of each year, the Legislature shall consider the budget, and make authorizations and appropriations from the treasury which satisfy the formula of Section 2. On the first day of each quarter, the Governor shall submit to the Legislature a written report of the general expenditures for the last quarter.

Section 4. The Governor shall include in his budget, and the Legislature shall make authorizations and appropriations for a special fund to be used in emergencies.

Section 5. If the Governor submits to the Legislature a budget which does not satisfy the formula of Section 2 or submits to the Legislature a report of general expenditures which do not satisfy the formula of Section 2, then the State Treasurer shall suspend paying any salary to the Governor and the Legislature may remove the Governor from office. If the Legislature makes authorizations and appropriations which do not satisfy the formula of Section 2, then the State Treasurer shall suspend paying any salary to the legislators who voted for the authorization and appropriation.

Section 6. The Legislature shall have the power to levy taxes to pay for the general expenditures for only the next year.

Section 7. The Judiciary shall have no power to change the formula of section 2 or to change any particular authorization or appropriation. If any court renders any judgment which changes the formula of Section 2 or changes any particular authorization or appropriation, then the Legislature shall remove the court from office.



Regional Plan Association

235 East 45th Street

• New York, New York 10017

• (212) 682-7750

STATEMENT OF

DR. JOHN P. KEITH, PRESIDENT
REGIONAL PLAN ASSOCIATION

BEFORE THE

ASSEMBLY TAXATION COMMITTEE
SENATE REVENUE, FINANCE AND APPROPRIATIONS COMMITTEE
NEW JERSEY STATE LEGISLATURE

ON

PROPOSALS FOR STATE TAX REFORM

TRENTON, NEW JERSEY
JUNE 24, 1974

THE REGION'S AGENDA

VOLUME IV, Number 2

June 14, 1974

FOR STATE-EQUALIZED SCHOOL TAXES AND AN INCOME TAX FOR NEW JERSEY

In New Jersey's debate on school finance and an income tax, five goals might be kept in mind:

1. Save the Environment

Municipalities are planning and zoning New Jersey primarily with the aim of keeping school taxes down rather than creating a sound environment. Almost every municipality tries to capture factories, offices or shops to help pay the school bill. As a result, urban facilities scatter through the countryside, unrelated to housing, out of reach of transit, stretching the average trip length and assuring that every trip must be by car and most by oneself.

At the same time, zoning has forced people to build homes on large lots (in order to hold down the number of school children), when many would have been satisfied with less land.

Altogether, many more acres of countryside have been invaded, many more lanes of highway built and many more gallons of gasoline consumed because municipalities have been forced to think first of their school taxes when zoning.

2. Save the Cities

The large urban facilities that have been scattering are needed by the old cities of the Region: (1) to keep opportunities centralized so they can be reached by persons without cars (over half the households of Newark, about a third of the households in Paterson); (2) to keep society together at least eight hours a day instead of further segregating it; (3) to provide the basis for attracting back to the cities households of all income levels (particularly the increasing number of households without children). If the suburbs did not seek the facilities for tax purposes, business would be much more likely to locate in city centers.

Also, the cities' extra financial burdens due to the concentration of poverty there would be greatly relieved by more State financing of poverty-related services and more

school tax aid. Better schools and lower city taxes would help the cities become more attractive to business and residents.

3. Distribute Tax Burdens More Fairly

In New Jersey, the lower one's income, the greater the share must go to State and local taxes, ranging from 19 percent of incomes under \$3,000 to only 5½ percent of incomes above \$25,000, according to the 1972 report of the New Jersey Tax Policy Commission. Even a flat rate income tax in which everyone paid the same percentage of his income would reduce taxes for 80 percent of New Jersey residents if it replaced present property and sales taxes.

However, many lower-income households rent their housing and fear that the income tax will simply be added to their burden without any benefit from the real estate tax relief the apartment owner will be getting. The income tax law could provide tax credits to renters to take care of this.

In Regional Plan Association's CHOICES FOR '76 town meetings last spring, New Jersey participants voted 56 to 30 in favor of "relying less on sales and property taxes and more on income taxes." Even the Region's residents earning over \$35,000 favored this 57-32.

The real estate tax for non-school local government purposes could remain local. There appears to be little "profit" in real estate taxes for local services because each facility roughly requires as much in local services as it pays in local taxes. This is not true of school taxes, of course.

4. Build More Housing

Attached housing can be built much less expensively than one-family homes on large lots. Despite a severe housing shortage caused by the high price of new housing, municipalities controlling the State's vacant land in northeastern New Jersey almost uniformly require one-family homes on large lots. (Apartments are allowed only if they do not accom-

modate many families with school-age children.) Now, almost no housing units are being built within the range of families earning under \$20,000--but with zoning changes, it is likely that families with incomes as low as \$15,000 might afford a new attached home or apartment.

In CHOICES FOR '76, Regional Plan pointed out that skyrocketing school taxes had encouraged large-lot zoning which, in turn, had cut the housing supply. New Jersey participants voted 62 to 31 for a statewide school tax to get more housing built.

5. Helping Youngsters Start More Equally

The main reason for shifting toward a State-equalized tax is to assure that youngsters who have the greatest educational needs get the greatest educational funds. Now the situation is reversed: most children lagging academically are concentrated in schools with the least amount of money per pupil. When New Jersey CHOICES FOR '76 voters were confronted with this fact, 63 percent voted to give schools where pupils are lagging academically more money than other schools get. Only 1 percent said to give those schools less money (the present situation) and 30 percent said the same amount. Suburbanites and city residents agreed.

To Change New Jersey Taxes

With the great majority of residents likely to pay lower taxes if there is an income tax than they would with a continua-

tion of primary reliance on property and sales taxes, and with great environmental and housing advantages in State-equalized school taxes, why has the Legislature turned down an income tax twice in the past?

It appears to be mainly a fear that an income tax will only add to the total tax bill rather than shifting the burden. But, New Jersey taxpayers pay the third-highest real estate taxes in the country and the tenth-lowest (41st highest) level of other taxes, according to the New Jersey Taxpayers Association. So, some relief for property tax payers seems possible without overburdening other tax sources. Only eight of the 50 states have no income tax.

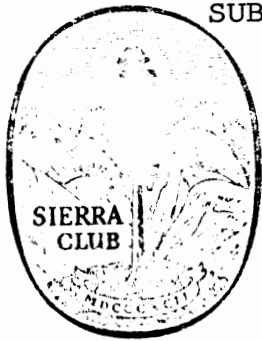
Also, some opponents fear State dictation of how much a school district can spend--but the courts will set this limit.

To pass an income tax and begin shifting the school tax burden from localities to the State for reasons of equity (as required by the courts), good planning, more opportunity for city people and more housing for middle-income families, the majority who will benefit will have to form a strong coalition. Such a coalition is forming. For further information: Mrs. Betty Evans, League of Women Voters, 460 Bloomfield Avenue, Montclair, N. J. 07042. All organizations concerned about conservation, rejuvenation of older cities, overcoming poverty, and getting more good housing (including builders and building trades as well as those needing better housing) might wish to join the coalition.



THE REGION'S AGENDA

REGIONAL PLAN ASSOCIATION
235 East 45th Street
New York, New York 10017



SUBMITTED BY SMITH FREEMAN

Sierra Club

NEW JERSEY CHAPTER

360 NASSAU STREET, PRINCETON, N.J. 08540

PHONE: (609) 924-3141

Statement on the Governor's ^{proposed} ~~property~~ tax reform program
presented by Smith Freeman, Chairman, Land Use Committee,
New Jersey Chapter - Sierra Club. Trenton, June 24, 1974.

The New Jersey Chapter of the Sierra Club submits the accompanying statement for the hearing record. This statement of policy was adopted by the Chapter Executive Committee on June 17 after careful study of the Governor's proposals.

In brief, we feel that the existing reliance on the local property tax as the basis for municipal finance has significant adverse effects on land use decisions and thus adversely affects the environment. We feel that the Governor's proposals represent positive steps towards mitigating these undesirable features and we accordingly endorse them.

In summary, the New Jersey Sierra Club endorses the Governor's plan for tax reform and the concept of a state-wide income tax. We also encourage our legislators and the administration to extend the tax base equalization concept to the provision of municipal services, many of which have broad regional benefits not confined to the inhabitants of the central cities themselves.

June 1974

Testimony

June 24, 1974

Total State - Local Tax Burden*
(by selected income classes)

	% of households in community	- - - as percentage of income - - - existing system	with Byrne proposal	with Russo proposal
Millburn Twp.				
\$ 3 - \$ 4,999	1.7	40.6	26.6	41.3
\$10 - \$14,999	13.9	16.4	14.6	16.8
\$15 - \$24,999	24.6	12.9	14.2	13.3
over \$25,000	47.5	6.2	9.5	6.6
Cherry Hill				
\$ 3 - \$ 4,999	2.3	30.1	16.9	24.4
\$10 - \$14,999	27.2	13.9	11.8	12.1
\$15 - \$24,999	41.0	11.6	11.0	10.8
over \$25,000	14.7	5.9	8.4	5.6
Princeton Twp.				
\$ 3 - \$ 4,999	2.9	29.6	20.0	28.0
\$10 - \$14,999	10.4	15.8	14.8	15.3
\$15 - \$24,999	29.4	12.6	14.4	12.3
over \$25,000	44.7	6.1	9.7	6.3
Trenton				
\$ 3 - \$ 4,999	9.5	22.4	12.8	21.2
\$10 - \$14,999	27.7	11.2	10.3	11.0
\$15 - \$24,999	14.3	9.3	9.5	9.3
over \$25,000	2.7	6.8	9.7	7.0
Flemington				
\$ 3 - \$ 4,999	5.0	19.7	13.1	17.9
\$10 - \$14,999	28.7	11.4	11.3	10.7
\$15 - \$24,999	16.4	9.5	10.3	9.1
over \$25,000	4.0	5.1	8.2	5.2
Dover Twp.				
\$ 3 - \$ 4,999	10.2	19.3	12.6	17.8
\$10 - \$14,999	24.1	10.5	10.2	10.2
\$15 - \$24,999	15.1	9.0	9.7	8.8
over \$25,000	4.2	5.0	7.9	5.2

* Estimates of tax burdens by income class are based on 1970 Census
Data relating household income to house value, within each municipality.

Source: Tax Simulation Model, Workshop on Financing Education in N.J.
Woodrow Wilson School, Princeton University, Princeton, N.J.

New Jersey Retail Merchants Association



P. O. BOX 22, TRENTON, N. J. 08601
(609) 393-8006

Statement of the New Jersey Retail Merchants Association submitted as part of the public hearings on tax reform conducted jointly by the Assembly Taxation and Senate Revenue, Finance and Appropriations Committees.

At the present time there exists in New Jersey, a tax which is both regressive and discriminatory.

It is the Retail Gross Receipts Tax. It is regressive because it is in no way geared toward the ability to pay. All retailers pay the tax on the gross receipts of their sales, completely ignoring whether a net profit, loss or break even situation exists. This is contradictory to the Administration's position that taxes should be based upon the ability to pay.

The tax is discriminatory because it singles out the retail store owner and taxes his business. He already pays all other applicable business taxes the same as other businesses, such as the Corporate Income tax or the Unincorporated Business Tax.

Other states eliminated this type of a tax when a sales tax was imposed. The most recent was New York City in 1966.

Of the 5 states besides N.J. that have this type of a tax, 2 have no sales tax (Alaska and Delaware) a 3rd state (Indiana) passed legislation last year to phase out the tax, and a 4th (Washington) proposed a constitutional amendment to reduce the tax in favor of an income tax. Only West Virginia which has a sales and income tax has retained a tax on retailers as well.

Assembly bill no. 643 calls for the repeal of this tax and was favorably reported by the Assembly Taxation Committee on January 21, 1974.

Repeal of this tax should certainly receive substantial consideration by this joint committee studying tax reform.

Peter Allen
Executive Vice President

Comments to Joint Committee on Tax Legislation

6-19-74 Evening Session at East Orange City Hall

by Dave Nalven

Thank you for the opportunity to allow a private citizen to speak. I have lived in Plainfield for almost 15 years. I am an engineer, middle income and I work in New Jersey. I would like to give some of my personal views on the income tax.

I have always supported the concept of an income tax, and I enthusiastically support Gov. Byrne's proposal.

Smallness, selfishness & greed characterize much of the opposition to the income tax proposal. The opposition comes from people who have been getting subsidized by those paying high property taxes; from those who have been reaping benefits, at the expense of city dwellers, in the form of not paying their fair share. They want to continue to pay less than their fair share at the expense of poor education for those who cannot afford to pay disproportionately high property taxes. The letters to the editor in my local paper attacking the income tax smack of a rob-the-poor to support the rich philosophy.

As for the politicians — and I consider myself to be at least partly of that breed, although I am not a professional politician — those who are now attacking the concept of an income tax appear to be, in the main, shirking their responsibilities. All of a sudden they are defenders of the wealthy — even though they ~~may~~ were decidedly not elected on this basis last November. They seem to be choosing to ignore the concept of equality of education, which is the basis of the Court decision that has led us to the income tax proposal.

I understand — although I deplore — citizen opposition to the tax. But our Assemblymen & Senators? Some of you have

shirked the leadership that our great Gov. Byrne has shouldered. I am ashamed when those among your number attack Byrne's proposal without proposing any viable alternative, making those legislators' motives suspect. Even the proposal I saw in tonight's paper was in this category — something for nothing, pie in the sky — this was a property tax proposal, and nobody's property tax increased — only remained the same or went down!

This is all playing games with children's education. Which Byrne's proposal does not. Not only does it provide enough funds for a good education for all N. J. children, but it also relieves the burdens imposed, selectively, by welfare & court costs, & even eliminates the travesty of New Jersey's property tax havens, like Teterboro. The income tax is an "equal" tax, which puts a fair tax burden on everyone equally, which dispenses benefits to all children, equally.

I know that I live in a real world — which is to say, an unequal one. To hear my fellow citizens come out four-square against equality of education is a hurtful thing to me, but it is a thing I can understand. To hear some of my leaders do so is unthinkable.

As President Andrew Jackson charged the jurors when he was a judge, "I expect you to do what is right." I think I can expect no less from our legislators than from a citizen juror. You must examine your consciences, & not the ballot box or the mail box, and do what is right. I consider Gov. Byrne's income tax is one of those "right" things.

SUBMITTED BY BILL BEREN

LEAGUE FOR CONSERVATION LEGISLATION (LCL)

BOX 605

TEANECK, NEW JERSEY

TESTIMONY OF BILL BEREN, LCL LEGISLATIVE AGENT, BEFORE ASSEMBLY TAXATION COMMITTEE AND SENATE REVENUE, FINANCE AND APPROPRIATIONS COMMITTEE

GOOD AFTERNOON. I AM BILL BEREN AND I REPRESENT THE LEAGUE FOR CONSERVATION LEGISLATION. LCL IS A COALITION OF ENVIRONMENTALISTS WHO HAVE ORGANIZED TO ACTIVELY LOBBY FOR NEEDED ENVIRONMENTAL LEGISLATION IN THE STATE HOUSE.

TAX REFORM IS IMPORTANT NOT ONLY IN TERMS OF HOW MUCH THE INDIVIDUAL TAXPAYER IS REQUIRED TO PAY, BUT ALSO IN TERMS OF THE SECONDARY EFFECTS TAX REFORM, PARTICULARLY PROPERTY TAX REFORM, WILL HAVE ON OTHER ASPECTS OF THE STATE'S ECONOMY.

FINAGLING WITH TAXES IS ONE OF THE OLDEST TOOLS AVAILABLE TO GOVERNMENT TO MANAGE ITS ECONOMY AND TO PROMOTE SOCIALLY DESIRABLE GOALS. AS ENVIRONMENTALISTS WE ARE PARTICULARLY CONCERNED WITH THE EFFECTS TAX REFORM WILL HAVE ON LAND USE. AFTER DECADES OF SEEING TAX POLICIES ENCOURAGING GROWTH OF SUBURBAN AREAS, LCL BELIEVES THAT IT IS TIME THAT WE REVERSED THAT POLICY. IT IS TIME THAT WE TURN OUR ATTENTION BACK TO THE CITIES AND ENCOURAGE GREATER CONCENTRATION OF PEOPLE AND JOBS IN AND AROUND URBAN CENTERS.

IN ANALYZING A TAX PACKAGE, LCL IS LOOKING FOR THE FOLLOWING INGREDIENTS:

1. AS TAXPAYERS, LCL SUPPORTS THE CONCEPT OF AN INCOME TAX BASED ON REAL INCOME AS OPPOSED TO A PROPERTY TAX THAT BEARS NO RELATIONSHIP TO A PERSON'S ABILITY TO PAY.

2. LCL ALSO SUPPORTS A REDUCTION OF PROPERTY TAX RATES, AND TAX RELIEF FOR FAMILIES AND INDIVIDUALS ON FIXED INCOMES OR THOSE WHO ARE CLOSE TO THE POVERTY LINE.

3. AS ENVIRONMENTALISTS, WE WOULD LIKE TO SEE AN END TO THE HIGH

RATE DIFFERENTIALS THAT EXIST BETWEEN OUR CITIES AND THE SURROUNDING SUBURBAN AND RURAL AREAS.

LOW PROPERTY TAXES HAVE BEEN USED AS INCENTIVES TO ATTRACT INDUSTRY TO SUBURBAN AND RURAL AREAS. OF COURSE OTHER FACTORS HAVE ENTERED INTO THE EQUATION AS WELL. TWO SUCH FACTORS WHICH COME READILY TO MIND ARE THE NEED FOR OPEN SPACE FOR EXPANSION AND THE EXODUS OF SKILLED MIDDLE CLASS WORKERS FROM THE CITY. HOWEVER, THE PROPERTY TAX IS THE ONE VARIABLE OVER WHICH THE GOVERNMENT HAS CONTROLL, AND IT IS ALSO THE VARIABLE THAT CAN INFLUENCE TO SOME DEGREE THE OTHER TWO.

ALLOW ME TO SAY JUST A FEW WORDS ABOUT WHY WE ARE CONCERNED WITH THE FATE OF THE CITIES. WHILE TO MANY THE CITY CONJURES UP AN IMAGE OF FILTH AND POLLUTION, THE CITY IS IN ACTUALITY A MUCH SANER PATTERN OF LAND USE. IT CONSERVES OPEN SPACE, WHICH CAN THEN BE USED FOR AGRICULTURE OR RECREATION. AND THE HIGHER DENSITY INHERENT IN A CITY MAKES A WIDE RANGE OF MUNICIPAL SERVICES FEASIBLE, FROM RESOURCE RECOVERY TO A MASS TRANSIT SYSTEM.

THERE IS GOOD REASON TO BELIEVE THAT AN EVENING OUT OF THE BUSINESS PROPERTY TAX RATE THROUGHOUT THE STATE WILL HELP REVERSE THE EXODUS OF JOBS FROM THE CITY CENTERS.

THUS, IT IS AGAINST THESE DUAL GOALS OF A PROGRESSIVE TAX BASED ON ABILITY TO PAY AND A STABILIZATION OF BUSINESS TAXES THROUGHT THE STATE THAT WE HAVE JUDGED THE VARIOUS TAX PROPOSALS THAT HAVE COME FORTH. IN OUR VIEW, THE GOVERNOR'S TAX PACKAGE IS THE MOST COMPREHENSIVE AND FAIREST OF THE LOT.

TAX REFORM IS ONE OF THE MOST TALKED ABOUT ISSUES IN NEW JERSEY, BUT LIKE THE WEATHER NO ONE SEEMS TO WANT TO DO ANYTHING ABOUT IT. FIVE YEARS AGO THE MUSTO COMMISSION FIRST DISCUSSED THE INHERENT UNFAIRNESSES OF THE LOCAL GOVERNMENTS ASSUMING THE COSTS OF STATE MANDATED PROGRAMS SUCH AS WELFARE, EDUCATION AND THE COURT SYSTEMS; COSTS WHICH TOOK FIFTY SIX PERCENT OF THEIR BUDGETS IN 1967 AND WHICH STEADILY CLIMB.

TO MEET THESE DEMANDS, LOCAL GOVERNMENTS COMPETED AGAINST EACH OTHER IN THE GREAT RATABLES WAR. OPEN SPACE AND AGRICULTURAL LANDS LOST THEIR VALUE IN THE RUSH TO DEVELOP EVERY LAST INCH OF SPACE AND COLLECT TAXES ON IT. THE LOCAL GOVERNMENTS SIMPLY COULD NOT AFFORD THE LUXURY OF GOOD PLANNING.

FINALLY THESE GOALS ARE BEING EMBODIED IN THE GOVERNOR'S TAX PACKAGE. HE PROPOSES TO RELIEVE THE LOCAL GOVERNMENTS OF THE STATE MANDATED COSTS AND TO PAY FOR THEM THROUGH AN INCOME TAX SUPPLEMENTED WITH A STATE WIDE PROPERTY TAX THAT WILL EQUALIZE THE TOTAL COST TO ALL THE INDUSTRIAL TAX PAYERS IN THE STATE. AND YET THESE PROGRAMS ARE TAILORED TO PROVIDE RELIEF TO THE SMALL BUSINESS MAN AND TO THE TAXPAYERS WHO NEED THE HELP.

MERELY REVISING THE BUSINESS PROPERTY TAXES UPWARD THROUGHOUT THE STATE IS IN OUR OPINION A SIMPLISTIC SOLUTION TO A COMPLEX PROBLEM. RELIEF FOR THE POOR AND ELDERLY AND TAX POLICIES THAT TEND TO STRENGTHEN THE CITIES ARE JUST AS DESERVING REASONS FOR TAX REFORM AS A COURT MANDATE TO EQUALIZE EDUCATIONAL SPENDING THROUGHOUT THE STATE.

LCL SUPPORTS THE GOVERNOR'S TAX PACKAGE AS THE ONLY ONE SO FAR THAT MEETS THE NEEDS OF ALL THE CITIZENS. WE RECOGNIZE THAT DETAILS REMAIN TO BE IRONED OUT, BUT WE GENERALLY GIVE OUR SUPPORT TO THE INCOME TAX AS LONG AS IT IS COUPLED WITH

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