

PUBLIC HEARING
ON
GOVERNOR'S TAX PACKAGE
BEFORE ASSEMBLY TAXATION COMMITTEE

June 21, 1974
Howard Johnson's
Atlantic City, New Jersey
7 P.M.

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Chinnici
Assemblyman Gorman
Assemblyman Sweeney, Chairman
Assemblyman Worthington

STAFF MEMBERS ALSO PRESENT:

MR. McCUE
MR. DEARDORFF

HEARINGS

ON

GOVERNMENT'S TAX POLICIES

BEFORE THE SELECT COMMITTEE

January 21, 1917

Honorable James C. McLaughlin,
Assistant Secretary,
U.S. Treasury

MEMBERS OF COMMITTEE PRESENT:

Mr. McLaughlin (Chairman)
Mr. Nathan
Mr. Clegg
Mr. Glavin
Mr. Ladd
Mr. Nichols
Mr. Rosen
Mr. Tracy
Mr. Carson
Mr. Egan
Mr. Gurnea
Mr. Hendon
Mr. Pennington
Mr. Quinn
Mr. Nease
Mr. Gandy

STAFF MEMBERS ALSO PRESENT:

Mr. Moore
Mr. Hendon

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1 CHAIRMAN SWEENEY: Ladies and
2 gentlemen, we're going to open this evening's hearings.
3 My name is Jack Sweeney, I'm an assemblyman. The
4 other assemblyman is Francis Gorman. We'll be joined
5 by Charles Worthington and Joe Chinnici from the
6 First District and that will comprise the Taxation
7 Committee for the purpose of this evening's hearing.

8 Now, we do have a list of those
9 individuals who had filled out cards this afternoon
10 who desire to testify. We'll take them in the order
11 that the cards were given to us and the first person
12 to testify is Alan Stowe. Is Alan Stowe present?

13 The next speaker would be Herid
14 McLeod for the Responsible Property Owners Association.
15 You are Mr. McLeod?

16 MR. McLEOD: Yes.

17 CHAIRMAN SWEENEY: Go ahead.

18 MR. McLEOD: Good afternoon, ladies
19 and gentlemen, my name is Herid E. McLeod speaking from
20 a premise of Responsible Property Owners. I'm going
21 to run through this speedily. One of the first things
22 that seems to occur or come to my attention or the
23 attention of the general public is that fundamentally,
24 New Jersey does not have a tax policy. The 1844
25 Constitution did not provide a tax policy and in 1947

1 the new Constitution did not provide for a tax
2 policy. There may be some authority in what they
3 said at that time, New Jersey had no tax policy. It
4 does not have a tax policy today. The power of tax
5 is the power to destroy. The proposed Constitutional
6 Amendment provides a tax policy--or does not provide
7 a tax policy. The proposed Constitutional Amendment
8 does not provide for a tax policy. It must and shall
9 start with state government. The tax policy must
10 and shall start with state government. That's a
11 lie. Ever since the days of Augustus Caesar, taxes
12 have been an evasive subject matter.

13 I regret to say that our present
14 administration borders on the line of evasiveness due
15 to the fact that there have not been a sufficient
16 amount of clear understanding as to where we were
17 going or where we intended to go or how we intended
18 to reach our destination.

19 Consequently, to limit the power
20 to tax one per cent, two per cent, three per cent,
21 four per cent should and must be initiated in the
22 executive department of government. Otherwise,
23 legislation to limit tax increases in local government
24 would be self-defeating.

25 May I keep to one subject matter,

1 the constitutional revision or the Constitutional
2 Amendment. It is dubious. The California Constitutional
3 Amendment was the latest one to have been declared
4 unconstitutional. The power to limit a municipality
5 of raising taxes after such may have been adopted
6 or legislated without the concomitant power of the
7 state to be limited does not fit the current scheme
8 of economics or anything other current scheme, it
9 makes no difference if it is a single tax or not.
10 It doesn't meet any of the criteria again, as I
11 emphasized, to limit the taxing power of the
12 municipality without limiting the same tax and power
13 at the state level inasmuch as the municipalities
14 are subdivisions of the state. The same source that
15 gives can take.

16 Furthermore, the ratables of a
17 county or municipality having been destroyed by what
18 is known as urban development apparently has not
19 been considered and may I ask would it not be feasible
20 or more practicable to have equalization taxes on the
21 use of land. Land is the be all of everything, it is
22 the Alpha and Omega and in that respect, we have a
23 considerable amount of nonprofit institutions owning
24 or controlling thousands of ratables in land alone
25 and it is here suggested that any Constitutional

1 Amendment makes it possible whereby this land use by
2 any profit or nonprofit institution be considered as
3 a tax base. For instance, local services, police
4 and fire, nonprofit institutions do not pay any taxes,
5 but they do pay water, rent and sewerage and electricity
6 and always pay for police and fire protection. That
7 is a proposition that should go into the Constitutional
8 Amendment. May I run on?

9 Now, the court has ordered or
10 mandated that New Jersey come up with a financing
11 of public schools. I wish I could conclude on that
12 subject matter, I'll give you one or two instances.
13 This statistical profile is educational relations
14 in '72 or '73, New Jersey is second with \$1,352.00
15 per pupil. We go up there to Alaska which is first,
16 I believe--

17 CHAIRMAN SWEENEY: You are correct
18 in that.

19 MR. McLEOD: And then we come down
20 here to Florida or D. C. with \$1,327.00. I believe
21 New Jersey is about fourth, per pupil on distributions
22 based on the ratables of a particular municipality.
23 That in itself is significant. We should confine
24 our efforts to the financing of the school first rather
25 than to cover the whole subject matter of taxation

1 and reform. You can't do that in one package. You
2 need at least four separate pieces of legislation
3 to accomplish this particular objective.

4 CHAIRMAN SWEENEY: We have 21,
5 right now.

6 MR. McLEOD: Which goes to show
7 you, which goes to prove that we did not do our
8 homework and consequently, the frustration generated
9 by lack of direct attack on a problem would do much
10 to offset the problem.

11 I think I should like to conclude
12 with this statement. Again, the ratables lost
13 through urban renewal may be recaptured. I don't
14 know whether New Jersey has a recapture clause or not,
15 maybe the federal constitution does.

16 For instance, a municipality
17 losing ten to 20 million dollars in ratables--and
18 that's going off a number of years--the state should
19 provide some method whereby housing authorities should
20 be enabled to issue bonds to that amount consequently
21 refurbishing the city through a recapture. I know
22 sometimes we hear the question of renegotiating
23 contracts--

24 CHAIRMAN SWEENEY: Well, Mr. McLeod,
25 we do have one bill that will deal directly with that

1 problem of the housing authorities and will involve
2 a state payment in lieu of taxes.

3 MR. McLEOD: Yes.

4 CHAIRMAN SWEENEY: So that it
5 can be recaptured.

6 MR. McLEOD: That's the question,
7 not in lieu of taxes.

8 CHAIRMAN SWEENEY: Well, it amounts
9 to about the same thing because we use the HUD figures
10 for housing projects of 17 and \$19,000.00.

11 MR. McLEOD: All right. At that
12 rate, may I say in conclusion that the population of
13 Atlantic City is about 46,500, the population, and
14 25 per cent of that population are over 65 years old.
15 You have eight to 9,000 in school of that population
16 and that leaves what, about 25,000 population. Are
17 they productive or nonproductive? It has been stated
18 that the family income averages about \$7,500.00 and
19 up to 30 per cent of the remaining population not over
20 age 65 and not in school. I am appreciative of this
21 opportunity to bring before you this particular idea.

22 Lastly, I'm 79 and I own considerable
23 property in the State of New Jersey, Alabama, Louisiana,
24 Mississippi and Texas and I paid \$490.00 last year,
25 \$490.00 would be for '75 taxes. Oh, I wish you could

1 look at this tax bill. I'm going to have some
2 photostatic copies sent to the Monday's meeting to
3 show you an assessment of a property of \$900.00 that
4 pays \$490.00 taxes. That's a little more than what
5 Mr. Nixon paid.

6 CHAIRMAN SWEENEY: Mr. McLeod,
7 you have to be in that category of persons who will
8 undoubtedly benefit from the program as it presently
9 exists.

10 MR. McLEOD: I believe, finally,
11 this is the end-all and be-all in your Constitutional
12 Amendment and I am one of those who helped to promulgate
13 the 1967 Constitution, with Governor Driscoll and Mr.
14 Vanderbilt and Dr. Sly and many others.

15 The question of information,
16 I asked our local authorities for certain information
17 concerning the payroll and the budget and whatnot.
18 I happened to go up to court. I didn't have \$150.00
19 for a lawyer, I wouldn't attempt to hire a lawyer
20 in South Jersey in the first place, no reflection
21 on the legal profession, none whatsoever, absolutely
22 none--

23 CHAIRMAN SWEENEY: Of course not,
24 we understand that.

25 MR. McLEOD: But can you imagine

1 a lone taxpayer who's own source of income is from
2 his pension of years of service to have to go to a
3 superior court to get an order which was denied and
4 my plan is, in order to recover some of the hundreds
5 of thousands of millions of dollars in this area
6 that somehow has disappeared, I have to go over the
7 heads of the county courts into the federal court
8 to get any relief information. Where did three million
9 dollars go? How many people on the payroll in this
10 department? How many people are on the payroll in this
11 department?

12 CHAIRMAN SWEENEY: Mr. McLeod,
13 we want to stick to the issue of taxes, though. I
14 understand you have a problem in that area.

15 MR. McLEOD: But that is direct
16 information. Congress is having trouble giving
17 the public information, so we have to have outside
18 groups.

19 CHAIRMAN SWEENEY: Congress is
20 having more trouble than we are.

21 MR. McLEOD: The question is,
22 you want a tax. I give you a dollar, may I get a dollar
23 value received, but you don't tell me where I get
24 that dollar from, you don't tell me where the dollar
25 is going, but fortunately, I'm in a position to tell

1 you where millions of dollars have gone and who has
2 got it and that is no joke.

3 It has come out in convictions
4 and that's the course that the average citizen is
5 up against. He cannot get from his government, local,
6 state or national, anything nears the truth or nears
7 something that's logical that people can understand
8 and with that, may we conclude by saying that thank
9 you for the privilege of coming before you and you may
10 see me again in Trenton.

11 CHAIRMAN SWEENEY: We'll look
12 forward to it.

13 MR. McLEOD: Monday.

14 CHAIRMAN SWEENEY: Any questions
15 by any members of the committee?

16 MR. WORTHINGTON: We're always
17 happy to see you in Trenton, Mr. McLeod or anywhere
18 else.

19 CHAIRMAN SWEENEY: Is Alan Stowe
20 here?

21 FROM THE FLOOR: No, Mr. Trelling
22 is here.

23 CHAIRMAN SWEENEY: Okay, Mr.
24 Trelling.

25 MR. TRELLING: Mr. Chairman and

1 members of the committee, while I have been and still
2 am very active in an organization that's deeply
3 concerned about taxes--

4 CHAIRMAN SWEENEY: Mr. Trelling,
5 your full name is Jay Trelling, is that correct?

6 MR. TRELLING: That's correct.

7 CHAIRMAN SWEENEY: Where do you
8 live?

9 MR. TRELLING: Atlantic City,
10 I'm speaking for Atlantic City. I'm speaking as an
11 individual and not as representing any organization.

12 CHAIRMAN SWEENEY: Very well.

13 MR. TRELLING: I am personally
14 opposed to any new income state tax and I think a good
15 bit of the talk and discussion about the proposed state
16 income tax really is not very meaningful unless we can
17 prevent another half million dollar increase in the
18 budget in 1975 and another half billion dollar budget
19 increase in 1976, so that we'll have to find new
20 sources of tax revenues in order to meet the increases.

21 I would say that the best action
22 and the most important action that the legislature
23 could take is for the Governor and the legislators to
24 declare at least a two year moratorium on any new
25 spending, because as you gentlemen know, the New Jersey

1 budget has increased by some 800 per cent in the
2 last ten years and it can't keep on going like that
3 and taxing the people and expecting them to keep
4 putting the money up every year.

5 Now, when I say a two year
6 moratorium, I think during that two years every effort
7 should be made to eliminate the ways and the fat
8 that exists in many of the projects and appropriations
9 that are made by the state and I can go back to the
10 school systems from which this income tax proposal
11 is aimed at and tell you that 20 years ago here in
12 Atlantic City, I sat in on a meeting with the
13 commissioners and the Board of Education to discuss
14 how the budget could be kept under one million dollars
15 for the ensuing year and pretty good students were
16 turned out 20 years ago from our Atlantic City schools.
17 I think it has been proven by the fact that 20 years
18 later many of them are doing very well.

19 Now, last year with practically
20 no increase and maybe a slight reduction in the
21 enrollment of students, the Atlantic City bill for
22 education was something around nine million dollars.
23 Now, I think that somewhere in between, a lot of money
24 has been appropriated and as continues to be appropriated
25 that can be eliminated or reduced or at least through

1 appropriations postponed and new expenses postponed
2 and when we talk about quality education, I have a
3 little story. A newsgirl who delivers my paper just
4 for the last couple of weeks came to collect for
5 five days and the Press costs 15 cents and she's
6 in the sixth grade and I said how much do I owe you
7 and she couldn't multiply 15 by five. Now, I'm sure
8 a student 20 years ago in the sixth grade could and
9 I'm sure perhaps the average student today could.
10 This girl comes from a good middle income home and
11 she should have a better education in school than
12 what she is getting. There is something wrong
13 somewhere and we're spending over nine million dollars.

14 Now, I say that we should declare
15 a moratorium in education spending too and go through
16 all of the budget, municipale budget et cetera and make
17 them go through these things and save during the
18 next couple of years.

19 CHAIRMAN SWEENEY: Can I just
20 interrupt here for a second? In speaking to the
21 Governor last night, he indicated to us that it would
22 be his desire to start next year with the Appropriations
23 Committee on the basis of what they call a zero base
24 budget. In other words, they are going to make them
25 justify the budget of the prior year before any further

1 increases will be granted. I think that will help
2 to take care of at least one portion of what you
3 are talking about.

4 MR. TRELLING: At least one year.

5 Atlantic City happens to be in a very bad way financially.
6 We don't like to publicize it and I am a strong
7 booster for Atlantic City and have been for over
8 50 years. I have a little commercial property on
9 Atlantic Avenue and it's been going up and up, the
10 taxes last year I paid \$350.00 tax and I just received
11 a bill yesterday for \$6,560.00.

12 Now, that's a tremendous increase
13 in one year at a time when our assessments dropped
14 by over a million and a half dollars last year and
15 the city had to go out and borrow a million dollars
16 about three weeks ago from a bank to keep going. Now,
17 we can't stand that kind of tax. Now, if we get
18 relief through a personal income tax and that difference
19 amounts to a few hundred dollars or something that's
20 going to be eaten up in a year's time because new
21 taxes are going to have to come up or increased taxes,
22 so I say to you gentlemen, don't wait for another year.
23 I say try to do something now about declaring a
24 moratorium against increasing any other budget or new
25 spending so we can try to catch up and strike a plateau

1 where we can begin to catch ourselves up in running
2 a government and Boards of Education much more
3 effectively and efficiently. Thank you very much.

4 CHAIRMAN SWEENEY: Any questions
5 from any members of the committee? Thank you, Mr.
6 Trelling.

7 Mr. Landau?

8 MR. LANDAU: My name is Nathan
9 Landau and I came here for two reasons. The first
10 one was to speak for a group that I think next to
11 certain taxpayers is possibly the most affected group
12 by this whole process, which is students, and the
13 other one was to learn a little more about this package
14 because despite all I've been reading, I don't think I
15 know enough about it yet.

16 What I'd like to say in regard
17 to students is, like we've heard all sorts of statements
18 saying that there is a lot of inefficiency in
19 government, there is tremendous amounts of money being
20 appropriated, et cetera, et cetera et cetera, and I
21 am certainly not going to deny this. I'm a member of
22 a group called An Institute for Political Education,
23 which sort of studies this sort of thing and we've
24 seen it, but I think if anybody would come down to
25 Atlantic City High School or probably any other urban

1 high school, it would be very difficult to say that
2 all the people there are getting a "thorough and
3 efficient education". I know just speaking to my
4 high school, we're sure the school is massively
5 overcrowded, we're short of space, we are short of
6 supplies, we are short of teachers, we are short of
7 anything you can name. There has been plans on the
8 drawing boards for something like ten years regarding
9 a new school and we haven't gotten it, so that I
10 think and it's a direct result of the fact that
11 Atlantic City is a poor city.

12 In my institute dealings, I see
13 other kids from other high schools in the state and
14 they are more fortunate. They come from a rich
15 community, so they do get a thorough and efficient
16 education and I think the only way we can deal with
17 this is through the Governor's program, through the
18 proposal of a progressive state income tax.

19 I have a couple problems with this
20 which I'm wondering about, the first of which is the
21 minimum tax that is proposed for incomes over \$50,000.00
22 at three per cent. I think it's a good idea to have
23 a minimum tax, but I am wondering why just three per
24 cent, because I know that the rate of tax on taxable
25 income from 25,000 to 50,000--from 25,000 up is eight

1 per cent.

2 CHAIRMAN SWEENEY: That's not quite
3 the way it works, though. I think that's a general
4 misconception that it's automatically eight per cent
5 of everything over 25,000 and it doesn't quite work
6 in that manner.

7 MR. LANDAU: How does it work
8 differently?

9 CHAIRMAN SWEENEY: You take a man,
10 for example, who makes \$50,000.00 a year.

11 MR. LANDAU: Yes.

12 CHAIRMAN SWEENEY: The reason that
13 the three per cent was used--and that's not a figure
14 that is totally inflexible--

15 MR. LANDAU: I hope not.

16 CHAIRMAN SWEENEY: But the figure
17 was put on there so a person making that kind of
18 money or over that kind of money would at least pay
19 a reasonable proportion of his income.

20 MR. LANDAU: I understand the
21 idea, I don't think that happens to be a reasonable
22 figure.

23 CHAIRMAN SWEENEY: You may disagree
24 with the figure, I may quarrel with it also, but let
25 me point out to you that what the law says or will

1 say maybe is that a person in an income bracket over
2 \$25,000.00 will pay \$1,155.00 plus eight per cent of
3 the excess, so it's not eight per cent of income.

4 MR. LANDAU: It works out to be
5 fairly close to that, though, doesn't it?

6 CHAIRMAN SWEENEY: Not necessarily.
7 no, because when it would be only eight per cent of
8 anything over \$25,000.00.

9 MR. LANDAU: Plus \$1,125.00 which
10 is about six per cent, yes, but I still think even
11 working with that figure, still you're three per cent
12 figure is awful low and it might not just be \$50,000.00,
13 but 100 or \$200,000.00 and a person who, through the
14 federal law, which is more loopholes than laws, they
15 say, if anybody's read Philip Stern's, "The Rape of
16 the Taxpayer", sort of graphically, if I may say,
17 illustrates this. It's an awful low figure.

18 CHAIRMAN SWEENEY: Let me point
19 out one thing to you. Whether this will satisfy your
20 needs or not, I'm not sure, but out of the other
21 approximately 40 states who impose a state income tax,
22 no other state has a plan such as this that would impose
23 a minimum tax where the federal tax will allow these
24 loopholes.

25 MR. LANDAU: Do they base their

1 taxation on federal taxes?

2 CHAIRMAN SWEENEY: It depends,
3 they have variations in almost every case, though
4 it's a piggyback on your federal tax liability.

5 MR. LANDAU: I'm glad to see your
6 minimum tax, I'm not attacking that. I think you should
7 consider whether three per cent is right or not.

8 There is another figure in your
9 proposal, there is another figure in your proposal
10 which I wonder about. I asked Mr. Perskie about it
11 and he didn't seem to have any answers, which is
12 the 20 per cent reduction of tenants. I'm just
13 wondering where is that number coming from? Why is
14 it 20 instead of 15 or 30 or whatever?

15 CHAIRMAN SWEENEY: This was really
16 a part of the administration's proposal. Again, this
17 is not a figure which is totally inflexible. As a
18 matter of fact, at the present time we're trying to
19 work out a figure between 20 and 25 per cent to see
20 what the yield would be.

21 MR. LANDAU: I'm not attacking
22 that.

23 CHAIRMAN SWEENEY: You're questioning,
24 I understand, but we don't know exactly what the reason
25 was for the 20 per cent.

1 MR. LANDAU: Yes.

2 CHAIRMAN SWEENEY: Mr. Deardorff,
3 who is the expert, one of the experts who we have on
4 our staff has indicated to me that there are two
5 other states who have had experience in this field
6 and there at least has been a preliminary indication
7 that based upon actual taxes paid in these other
8 states by landlords or owners of apartment complexes,
9 20 per cent of what they collect in rent is actually
10 attributable to the real estate taxes.

11 MR. LANDAU: That's based on
12 studies in what states?

13 CHAIRMAN SWEENEY: That's Vermont
14 and Michigan.

15 MR. LANDAU: Okay, I see, yes.
16 Well, all right, that is useful to me.

17 Like I say, I just want to--I don't
18 know what the rest of the student population except
19 that those that I've talked to feel, but I think if
20 you go into any urban school district, you'll find
21 that the need is really there and I think that this
22 legislature is responsible enough that it will deal
23 with it and I hope that it deals with it in the only
24 really fair way, because I look at the property tax
25 plans and I can only see a lot of places where the

1 property tax would go up and I don't see how that would
2 remedy the fundamental problem which is still an
3 unfair tax.

4 So, thank you for your time and
5 your information.

6 CHAIRMAN SWEENEY: Any questions
7 of Mr. Landau by any members of the committee? Thank
8 you very much.

9 Is Mr. Ehlman, Isaac Ehlman here?
10 Is Mr. Stowe here yet? All right. Anthony Castagna?

11 FROM THE FLOOR: Yes.

12 CHAIRMAN SWEENEY: Mr. Castagna,
13 would you state your full name and address?

14 MR. CASTAGNA: Yes, I'm Anthony
15 Castagna living in Pleasantville. I'm acting president
16 of the Pleasantville Taxpayers Association and the
17 Executive Board of TEARS. I'm speaking for myself,
18 however, in this regard.

19 The only thing I have gathered
20 so far from reading in the newspapers and I've clipped
21 most of the articles is a tremendous amount of
22 confusion with proposals and counterproposals. I
23 think this is making everyone quite nervous or what
24 the outcome is going to be and hopefully it's not going
25 to be done unwisely, you know. Right at this point,

1 I definitely oppose state income tax. Now, I understand
2 the reason for it, of course, is to get an equalized
3 tax base so we can have equal education throughout
4 the State of New Jersey. However, the way I see it
5 is that with the state income tax, you're going to have
6 two problems.

7 Number one, the transfer of power
8 out of the municipalities and county level to the
9 state level, because wherever the dollars go, goes
10 the power and if you have ever attended a school
11 board meeting, which I'm sure you have, and see the
12 little bit of funding that we get from other state
13 fund raising tax raising things that are poured back
14 into the municipality, you'll find that the state
15 then mandates an awful lot of programs that the
16 municipality has no control over, so it's only obvious
17 that when more money comes from the state, the state
18 is going to take more power and if you have ever tried
19 to get anything done locally, it's tough. When you
20 want something done with the state, forget it, it's
21 all over. That's the first problem.

22 The second problem is with the
23 graduated levels. These levels can be changed every
24 time there is going to be a need for more money--just
25 legislate new levels and also with the inflationary

1 factor, people will be rising and people will be
2 put in new categories every time. I don't think
3 they are going to like it. The same problem arises
4 with the statewide property tax. Again, the
5 economic power is going to come from the state because
6 they have the dollars and people aren't going to like
7 this. I think of everybody I listened to, I listened
8 to about seven or eight speakers, nobody has offered
9 an alternative and I'd like to offer an alternative.

10 I'd like to stay with the basic
11 property tax now, but instead of the taxing district
12 for school purposes just to be the municipality, make
13 it county. This is where the county bill--actually,
14 your county bill, the taxing district is the county,
15 make the total taxable base in the county available
16 to every school district in that county. I think
17 that will provide the dollars that are necessary.
18 Pleasantville needs a little more money, they could
19 get it from Margate. If Atlantic City needs a little
20 more money, they could get it from Galloway Township.

21 I'm just picking these at random,
22 but this would equalize it. But let's say we have a
23 base of three million dollars in ratables throughout
24 the county. This money would be collected by the county
25 and disbursed at the rate of let's say a thousand dollars

1 or \$1,200.00 a student, based on what the state thinks
2 is a fair average. The state will also continue to
3 pump in the 28 per cent that they are now, 28, 35
4 per cent that they are getting monies already from the
5 sales tax, they are already getting from their own
6 tax basis. This will leave local control. It wouldn't
7 put it in the hands of the state and the tax base of
8 300 million dollars in Atlantic County is definitely
9 low. I know that for a fact. I know we were just
10 involved with the Holiday Inn, for example, where it
11 was taxed, the ratable was six and a half million dollars
12 and some judge from North Jersey tried to lower it
13 to five million and we caught him in bad mathematics
14 and the mathematics alone would have showed it was
15 worth nine million dollars. In reality, they purchased
16 a building for 12 million dollars and it's probably
17 worth 16 million dollars and being taxed. I know
18 my own house is only being assessed at 55 or 60 per cent
19 of value. How do we remedy this? Instead of spending
20 a lot of money to set up state income tax machinery,
21 let's turn the county tax board into a group of
22 professionals instead of patronage jobs.

23 We have had a very poor board here.
24 They may be well meaning and everything, whatever, but
25 let's put three assessors in there and pay them well.

1 Let's take the assessors out of every municipality and
2 form a county group so that everyone is assessed
3 fairly at the county level. This can be done at
4 a minimum cost and it will work.

5 Let's not exempt the senior
6 citizens any more than they are. I have empathy for
7 them, but if you give them representation without
8 taxation, you've eliminated a very vocal group that
9 will keep spending down. If you do everyone a favor
10 and they do not pay taxes, they will not open their
11 mouth because somebody else will pay the bill. Let's
12 get this state straightened out. I think this is the
13 way to do it.

14 CHAIRMAN SWEENEY: May I say
15 one thing in response at this point?

16 MR. CASTAGNA: Yes.

17 CHAIRMAN SWEENEY: One member of
18 the Taxation Committee who unfortunately could not
19 be present here today, Gordon McGinnis is presently
20 working with the staff on a series of amendments to
21 the present assessing practice to try to bring it
22 up to what we think it ought to be all the way
23 across the state, not merely on a county level, so
24 that assessing practices will be as uniform as
25 humanly possible.

1 Now, we know that as long as the
2 human element is involved that it's going to be very
3 difficult.

4 MR. CASTAGNA: Right.

5 CHAIRMAN SWEENEY: But they are
6 working on the problem and it is one that he has been
7 addressing himself to now, I think, for the past
8 six months and you recognize pretty obviously that
9 it's a difficult problem. Because it varies so much
10 from municipality to municipality. In addition to
11 that, there are bills in to create a tax court which
12 would be a full-time appointment of approximately
13 five to seven judges who would do nothing but hear
14 tax problems and that would take away the present
15 system with which I happen to be familiar, the
16 State Division of Tax Appeals, who are only part-time
17 people.

18 MR. CASTAGNA: Right.

19 CHAIRMAN SWEENEY: Now, you raised
20 a couple other problems which I think deserve at
21 least some comment or some question.

22 First of all, you indicated that
23 you have a problem with the transfer of power from a
24 local level to the state level.

25 MR. CASTAGNA: Right.

1 CHAIRMAN SWEENEY: And you've
2 indicated that you would prefer to see that done on
3 a county level rather than on a state level. Do I
4 understand the thrust of your comments?

5 MR. CASTAGNA: Just the county
6 as a collection basis, that's all. They have the
7 data processing equipment, they just collect the
8 money for the schools and redistribute it back, that's
9 all. Each local board makes the decisions.

10 CHAIRMAN SWEENEY: You're aware
11 of the decision that says it must be equal throughout
12 the state?

13 MR. CASTAGNA: Dollars, that's
14 all, they will be equal. You collect them at the
15 county level from the have's to the have nots.

16 CHAIRMAN SWEENEY: That doesn't
17 guarantee equality throughout the state, though.

18 MR. CASTAGNA: Within a few
19 dollars, which can be adjusted.

20 CHAIRMAN SWEENEY: You take a county
21 like Mr. Chinnici's county, Cape May and compare it
22 to Essex County.

23 MR. CASTAGNA: --which will be losing
24 28 per cent of it's state funding, so that money will
25 then go down. That's already earmarked and the

1 general funds can then be sent down there. Maybe
2 they need 40 per cent, maybe Essex only needs three
3 per cent in that money. There is enough money now,
4 isn't there?

5 CHAIRMAN SWEENEY: That is a
6 question that still has to be answered.

7 MR. CASTAGNA: It's just
8 redistributing the pot. You want to raise more money,
9 is that the idea of a tax program?

10 CHAIRMAN SWEENEY: Not at all,
11 it's a replacement tax.

12 MR. CASTAGNA: Then it can be
13 replaced with the present taxation system, just
14 restrict the property tax in the proper form utilizing
15 the present state funds to fill in the gaps and the
16 holes. If you can convince me differently--

17 CHAIRMAN SWEENEY: We're not here
18 to sell a program, believe me. We're here to hear
19 what you have to say.

20 MR. CASTAGNA: I'd like to see
21 a study of the ratables done. We tried to do it here,
22 but we have had trouble sitting down with the
23 superintendent of schools to get the cost per pupil
24 basis so we can plug it into the ratables to see how
25 much dollars are going to each student. We have had a

1 lot of problems because he doesn't want to do anything
2 between nine and two and since most of us are working
3 at that time, it's tough, but I'd like to see a
4 study done and, in fact, Pleasantville did a study
5 of our town and we did every block and lot that you
6 can to do studies on square foot basis et cetera,
7 and we did it for \$400.00 and we come up with a
8 tremendous amount of variations. We have a good
9 assessor who is trying to correct that. I think
10 if you want to turn it over to a taxpayer group
11 and give them a few thousand dollars, they could do
12 it for perhaps 500 per cent less than the state
13 could. I'd like to see a study done before we
14 rush into anything. I personally feel we're going
15 to have problems with this because there is no
16 ceiling.

17 CHAIRMAN SWEENEY: That's the
18 other thing I wanted to raise with you, to see if I
19 understood you correctly. You indicated, and I just
20 want to comment on this very briefly, that we would
21 have a program with the income tax that would allow
22 the brackets to change or the percentages to change
23 every year as more money is needed, but we have had
24 experts testify before the committee who have indicated
25 to us that this is the most elastic form of taxation,

1 the most flexible form of taxation that there is.

2 In other words, as the income of
3 the people rises, the brackets would not have to be
4 changed because a greater percentage would be coming
5 out of their income without changing the full
6 percentage of take by the state.

7 MR. CASTAGNA: Right.

8 CHAIRMAN SWEENEY: And the other
9 thing I wanted to point out to you is that the committee
10 is presently trying to develop new brackets. We're
11 not entirely satisfied with the plan that the Governor
12 gave to us. So, I don't foresee where the bracketing
13 would be changed from year to year or the percentages
14 changed from year to year.

15 MR. CASTAGNA: All I can see
16 coming up is a hodgepodge of things that are difficult
17 to understand when we can be working with the present
18 system we have by working on a county collection basis
19 and the property tax, basically, is a pretty good
20 tax. You have ironed out some of the inequities to
21 senior citizens by giving them little discounts
22 and so forth. If you eliminate with them in this
23 regard, you'll wind up with a group of senior citizens
24 who don't pay taxes, who won't care how anybody spends
25 the money and we need those people to care because

1 they are the ones that are going to keep things in
2 line, because they are a good vocal group and they
3 represent an awful lot of votes. Thank you very
4 much.

5 CHAIRMAN SWEENEY: Any questions
6 of any members?

7 MR. CHINNICI: I'd like to ask
8 you a few questions, if you please.

9 MR. CASTAGNA: Yes.

10 MR. CHINNICI: Are you married?

11 MR. CASTAGNA: Yes.

12 MR. CHINNICI: You have any
13 children?

14 MR. CASTAGNA: Yes.

15 MR. CHINNICI: How many?

16 MR. CASTAGNA: Three.

17 MR. CHINNICI: How old are they?

18 MR. CASTAGNA: Six, five and one.

19 MR. CHINNICI: Okay. I heard you
20 make a statement that you felt that a senior citizen--
21 and we're speaking of someone now, of a couple who
22 is now retired who should not get a tax break as far
23 as you are concerned.

24 Do you realize, of course, that
25 this couple today may have raised a family of five

1 children and may have paid his and her fair share
2 of educating and running government and now that they
3 are retired, their income is fixed either by
4 investment or by social security or retirement and
5 that they have nowhere to turn except for what their
6 fixed income may be.

7 In your opinion, do you think that
8 this couple at 68, for example, let's take a 68 year
9 old couple, has the earning power that you, as a younger
10 man with children as young as one year old would have?

11 MR. CASTAGNA: Definitely not,
12 right.

13 MR. CHINNICI: Okay. Then, if
14 you do not intend in anyway to give them any kind
15 of a tax break in view of the rising cost of the
16 cost of living and the rising cost of living generally
17 across the board and you can name every item
18 across the board in view of the fact that their
19 income is limited and fixed, that there is no way
20 to turn, you still feel that they should pay exactly
21 as you should pay when you and your wife, maybe your
22 wife not today but in two years may be able to go
23 out and work and earn an income probably as much as
24 yours and have a two family income instead of one,
25 do you still think that they should pay as much as you?

1 MR. CASTAGNA: No. I tend to
2 agree with you there. What I'm saying is that they
3 should not be eliminated entirely. Right now they
4 have a credit against their property taxes in our
5 system right now, but let's not say that because
6 they are retired and have a fixed income, I think
7 a part of that has been turned around, part of the
8 problem with the retired person today is the rising
9 cost of government, the rising cost of inflation,
10 which is basically government based. If prices were
11 stable and taxes were stable, these people could live
12 on that income. So, part of this problem is the
13 fact that the cost of living is rising tremendously
14 and a good part of the inflation is due to government
15 and rising taxes.

16 MR. CHINNICI: But Mr. Castagna,
17 is their income increasing with the rate of increase
18 of the cost of living?

19 MR. CASTAGNA: Of course it is not,
20 but why is the cost of living increasing?

21 MR. CHINNICI: Then they must be
22 short dollars in order to meet the same standard as
23 you, assuming you both have the same income. Therefore,
24 you can't, you cannot get a senior citizen couple and
25 say well, they don't need the tax break, they should

1 pay as much as the two family or the two income
2 family which is a younger couple. Fine, nobody
3 condemns that because today you do need two incomes
4 to live like you'd like to live, especially if you
5 have three or four children. But, we must admit
6 that the senior citizen couple who has paid their
7 fair share and her fair share and raised their family
8 and paid their mortgage and everything else that
9 came down the pike during their time, they should not
10 today be subjected to the higher cost of living and
11 the higher costs that we have today and it's probably
12 tenfold to what it was when they were educating
13 their children.

14 Therefore, you can't, I'm sure
15 you don't mean that they should pay as much as you
16 and not give them a tax break at all, because you are
17 going to strap them to slicing the one dollar that they
18 had 20 or 30 years ago to maybe 25 cents of today.

19 MR. CASTAGNA: I agree with you
20 under the circumstances, however, that is not a problem
21 that I have created nor they, but it's something we
22 all live with, but whenever you take taxpayers out of
23 the base--

24 MR. CHINNICI: As younger people,
25 we do have the obligation to make sure we don't destroy

1 their property that they have earned.

2 MR. CASTAGNA: The way we help
3 that is stop rising inflation and property taxes.

4 MR. CHINNICI: It's not a
5 regional thing.

6 MR. CASTAGNA: Of course not,
7 it's national. Thank you, thank you.

8 CHAIRMAN SWEENEY: Mr. Castagna,
9 you're on the floor again.

10 MR. WORTHINGTON: You live in
11 Atlantic County, Mr. Castagna?

12 MR. CASTAGNA: Yes.

13 MR. WORTHINGTON: Do you think
14 Atlantic County is a rich county, a poor county or
15 how would you classify that?

16 MR. CASTAGNA: I never made any
17 comparisons of medium income versus other counties
18 in the state. I guess on a relative basis of costs
19 of living, we're probably, maybe a middle income type
20 of county. I know there are some poor sections in
21 the county, I know there is some very high concentrations
22 of wealth too.

23 MR. WORTHINGTON: I think if you
24 would research it, you'd find that Atlantic County
25 is a poor county, and relatively speaking, if we were

1 to rank counties one to 21, Atlantic County would
2 be somewhere near the bottom.

3 I understand your position here
4 is that we should reallocate county funds collected
5 on property tax on the wealth of the community as
6 judged by property and then have a redistribution
7 of this for school tax purposes.

8 MR. CASTAGNA: Right.

9 MR. WORTHINGTON: Understanding,
10 for example, if we take counties like Bergen who may be
11 near the top, one two three or five counties in our
12 area and Atlantic County in one of the five poorer
13 counties, do you really think that it's equitable
14 for the school children in the county to be educated
15 only on the wealth of the county basis?

16 MR. CASTAGNA: They are being
17 now, aren't they?

18 MR. WORTHINGTON: No, not at all.

19 MR. CASTAGNA: Not at all?

20 MR. WORTHINGTON: No, not at all.
21 When you're talking about 28 per cent of state monies
22 that are fed into the educational properties, you know,
23 there is an attempt here at some equalized basis and
24 some formula to give more monies to those districts
25 that have the greatest need so everyone doesn't

1 get the same piece of pie.

2 MR. CASTAGNA: Nor should they.

3 MR. WORTHINGTON: Nor should they,
4 and I think what the chairman here was eluding to was
5 the court decision that it's really blatantly
6 unconstitutional to do with education the thing that
7 you propose, because there is a tremendous inequity
8 that exists between the wealth of Bergen County
9 and the tax dollars that's behind each child in
10 Bergen County as compared to each child in Atlantic
11 County.

12 Let me ask you a question, if
13 I may. You represent The Pleasantville Taxpayers'
14 Association?

15 MR. CASTAGNA: Not at this,
16 I'm speaking for myself.

17 MR. WORTHINGTON: But you are the
18 president of that association?

19 MR. CASTAGNA: Yes.

20 MR. WORTHINGTON: I'm wondering
21 if you would make that same presentation if you
22 were a representative of a taxpayers' association
23 in Margate in the same county or in Ventnor in the
24 same county. Do you think that you would then also
25 wish to reallocate the tax wealth of Ventnor and Margate

1 along the lines that you're talking about here?

2 MR. CASTAGNA: Yes, and I'll tell
3 you why, because a lot of things are inflexible,
4 but people are not. I may move to Margate next week,
5 okay, and at that time I would still take that position.
6 I may move to Bergen County because they are a wealthy
7 county and then could probably provide me the services
8 that people are not getting here. People are flexible
9 and can move if they want to.

10 MR. WORTHINGTON: Fine. If this
11 is your position, you think that then the wealthier
12 districts, those that can afford to pay more ought
13 to pay more to help support those districts that are
14 less fortunate, is that correct?

15 MR. CASTAGNA: That's correct.

16 MR. WORTHINGTON: Then that's
17 really the basis of what we're talking about here.

18 MR. CASTAGNA: You're transferring
19 the power to the state.

20 MR. WORTHINGTON: Let's talk
21 about funds and then power.

22 MR. CASTAGNA: You talk about
23 power when you talk about money.

24 MR. WORTHINGTON: No, not
25 necessarily. You made a statement too. You were

1 talking about all the kinds of programs that are
2 mandated by the State Department of Education and
3 I want to know what those programs are specifically?
4 Could you tell me what some of these programs that you
5 claim are mandated, all of these programs that are
6 mandated by the State Department of Education, what
7 are those programs? What is this concentration of
8 power that you're talking about and what are these
9 programs that this powerful group is proposing to
10 burden Pleasantville with?

11 MR. CASTAGNA: Not burdening
12 Pleasantville, it's burdening people of the state. I've
13 never been involved with this particular item. I can't
14 give you specifics because we've never really done
15 much in the last two years on a school budget because
16 when we tried to do it, we realized the wall we ran
17 into, but what you're trying to tell me in opposite--

18 MR. WORTHINGTON: I was just asking
19 a question.

20 MR. CASTAGNA: Just putting it in
21 opposite, the fact is that if you ever attend a
22 school board meeting and you ask why can't this program
23 be cut, well because we get 25 per cent of the funding
24 of the state and it comes here, so we have to match
25 it up and if we do it, we've got to do it their way.

1 They say that this program has to be handled in this
2 particular way because state monies are coming in.
3 I can't go into full specifics, but if you can tell me
4 it isn't so and prove it to me oppositely, it isn't
5 so, fine. Whatever the state or the federal
6 government does--

7 MR. WORTHINGTON: I would like to
8 discuss that question with you later, but we're pressed
9 for time. I'll be happy to talk to you at a later
10 time.

11 CHAIRMAN SWEENEY: Mr. Castagna,
12 thank you very much. Senator McGann?

13 SENATOR MCGANN: I'd like to correct
14 an allegation made when he referred to the Atlantic
15 County's newly appointed tax board. He stated he
16 expected nothing different because this was strictly
17 a patronage job.

18 I would like to say--

19 MR. McLEOD: I think this gentleman
20 is out of order.

21 CHAIRMAN SWEENEY: As long as I'm
22 chairing the meeting, you'll get another chance if
23 you'd like one, sir.

24 SENATOR MCGANN: This is for the
25 record, to correct something on the record, if I may.

1 It's true that three new members were recently
2 appointed. They were appointed for professionalism.
3 Two individuals have been in the real estate appraising
4 business for a number of years, one is a president
5 of one of the most prestigious firms in Atlantic City,
6 the other teaches in Rutgers and the third individual,
7 a woman, is an attorney who is eligible for certification
8 and I certainly hope that none of these have been
9 involved in any political process in Atlantic City
10 or Atlantic County, for that matter, and I hope the
11 people of Pleasantville will get relief from them,
12 but I challenge your statement, Mr. Castagna.

13 MR. CASTAGNA: May I challenge
14 it?

15 CHAIRMAN SWEENEY: Yes, but we
16 don't want to get involved with a floor debate.

17 MR. CASTAGNA: I don't like that
18 to sound like innuendos. We've had a bad board in
19 the past. The gentlemen who were appointed could
20 be very well competent. I'm saying that the board
21 should be all qualified assessors, not people who
22 have qualifications, but also who may have conflicting
23 interests. One is a prominent real estate man, Mr.
24 Harry Brown who is also a power and political party
25 unfortunately, we have proof that there was a lot of

1 problems from this. A man in a conflicting position
2 maybe has to think of himself sometimes. I am making
3 no innuendos about their professionalism or anything
4 I'm just saying, rather than having an appointed
5 board in this regard, we should have a board of
6 professional assessors.

7 CHAIRMAN SWEENEY: Basically,
8 what we're talking about is more of a local issue
9 that we should not be involved in. We can go all
10 the way down to the local assessor and the local
11 authorities, but that's not our purpose. We're
12 here to deal with, you know, two or three or four
13 different packages that are before the committee and
14 we prefer to keep it on that basis. Let me just
15 go back for a moment.

16 We did indicate we'd take these
17 people in the line that was given to us. Is Mr. Stowe
18 here? I'm going to put it at the bottom of the pile.
19 Mr. Ehlman? That goes to the bottom of the pile.
20 Katherine Cramer? Is Mr. Herschy here?

21 FROM THE FLOOR: Yes.

22 CHAIRMAN SWEENEY: Mr. Herschy,
23 when you come up please state your full name and
24 address and if you represent an organization, would
25 you please tell us.

1 MR. HERSHEY: My name is Paul
2 Herschy, I am a resident of Ventnor, New Jersey. I am
3 an educator, a guidance councilor in the Pleasantville
4 schools. I am the past president of the New Jersey
5 Personal and Guidance Association and I am the current
6 president of the Atlantic County Council of Education
7 Association.

8 However, I'm here as an individual.
9 I do not profess to speak on behalf of all guidance
10 councilors in the state or all school teachers in
11 Atlantic County.

12 In fact, I originally hadn't even
13 intended to speak at all, but I came because I have
14 followed with keen interest this activity, reading
15 the newspapers, radio, looking at and reading the
16 terms that have been made available for various
17 organizations and so on. I have my own ideas and I'd
18 like to express some of those for the worth of the
19 gentlemen on the committee.

20 I have every confidence that this
21 type of activity that you gentlemen are doing, the
22 literally hundreds and hundreds of hours that have been
23 spent and will be spent in the next few weeks and
24 most will yield what has to be yielded in response to
25 the court mandates. I don't like taxes, nobody here

1 likes taxes, but what bothers me is the over
2 simplistic solutions that people profess to give.

3 No way are they going to give us
4 this tax or that's not fair to me. I could come
5 and say since I'm an individual who is a single
6 person on an income tax and say from my standpoint,
7 I'm going to be hit bad, therefore I'm against
8 this whole thing and it's terrible, but I choose
9 to look at this as someone who works with young
10 people and since the thrust of the court decision
11 deals with the necessity which the young gentleman
12 a few minutes ago I thought so adeptly set forth
13 and I don't recall his name, I think he's left, but
14 if that's the kind of product we are getting from
15 schools, we are not doing everything wrong. Very
16 inciteful, extremely.

17 Being the past president of an
18 organization, I've had a chance to travel all over
19 the state and being now in a capacity of being
20 involved with the schools all over the county, I
21 know that there is great disparity between schools
22 and between districts and between counties that have
23 been eluded to here and I think that the state
24 legislature and your committee and various other
25 committees, the taxation and joint committees just must

1 address itself and will address itself to responding
2 to this need.

3 We no longer can allow to perpetuate
4 the inequities that exist. Will you gentlemen
5 have an opportunity of leading this nation in many
6 ways because the problem is not only limited to
7 New Jersey, but it's true in many other states. It
8 has not been dealt with adequately, obviously. It
9 will require concern on the part of our national
10 government, federal legislatures, but right now you
11 gentlemen are challenged to respond to the needs of
12 our citizenry and I hope that you will and I have
13 confidence that most of you will, regardless of
14 the political implications, and a partisanship
15 of one party or another and I personally don't care
16 if one is a Republican, a Democrat or an Independent,
17 I look at that individual's sensitivity to the needs
18 that he's fulfilling and I assure you, as an educator,
19 we have many unfulfilled needs in our schools and
20 you know that and there is not one person sitting
21 in this room who could disagree with that and I hope
22 that the hours of work that the subcommittees and the
23 committee in the Senate and the House and joint
24 committees and I have looked over this material, and
25 the people involved and the staff is to be commended for

1 the work that they have done so far. But the work
2 and the challenge really now lay ahead, to get the
3 input and I'm here because I read Mainland Journal,
4 the editorial article and it says public participation
5 is vital. The public has raised questions and we
6 should raise questions. There are many questions,
7 there are many confusing things here and many of the
8 previous superiors have eluded to the problems that
9 we've got to deal with in clarifying and educating
10 everybody to understand.

11 I don't want to stay here and
12 say that the income tax is the best tax, is the only
13 tax or this tax is the only tax and the best tax,
14 I don't have the answer. I think there are too many
15 people running around here saying I have the answer,
16 I have the answer. Well, there is no one answer.
17 The answer is to listen and to do what you've been
18 doing and continue to do it and then realize that
19 your responsibility is not to pressure groups, whether
20 they be teacher groups, taxpayer groups, political
21 groups, senior citizen groups or any groups. You
22 are elected to represent all of the people, you're
23 elected and have taken an oath to do a job and that is
24 what I'm expecting of you and I think that's what the
25 rest of the citizens of this district across the state

1 can expect of you.

2 I don't relish your job, it's
3 a hard one. I don't know, frankly, how some of you
4 can sit through hours of this kind of stuff. I would
5 go up the wall, but you're doing it and you are
6 to be commended for it. I just hope that as you
7 examine the necessity to reappraise the system of
8 school finance in this state that you take actions
9 to assure the quality of educational opportunities
10 throughout New Jersey in every county, in every
11 community, in every city and it's going to take
12 guts to do what you have to do.

13 I think you've got it, I think
14 people respect people if they are honest with them
15 and say truthfully what has to be done. This should
16 not be a political issue, this should not be a
17 political issue. This should be the issue of what
18 is right, what is just, what is fair to meet the
19 needs as mandated by the state courts of providing
20 a thorough and efficient education. It's been my
21 privilege to participate as representing guidance
22 councilors and have input into the State Board of
23 Education regarding this. Various groups, including
24 taxpayer groups and many other groups have had
25 involvement through the Board of Education, State Board

1 and many of those things I'm sure have been studied
2 and will be studied by various legislative groups.

3 I just say, do what you're doing,
4 respond to the needs with the leadership function
5 that you represent in your various counties. Don't,
6 however, say I just represent this group or that
7 county or this municipality or that party or this
8 party. Do what is right, do what your conscience
9 says to you. I know what I have to do and there
10 may be risks with it, but if it is right, I happen to
11 believe that right eventually triumphs and we must
12 deal with this problem. No longer can we allow
13 some districts to spend three and four million dollars
14 and have everything practically for some children
15 and other children in other parts of the state have
16 virtually nothing and have inferior education. It is
17 not right, it's unconstitutional and you people have
18 been challenged by the courts to respond to this and
19 I know and hope that you will.

20 I certainly will look at you and
21 I know many other people who care will also. I'm
22 a minority group, since people who are teachers are
23 minority groups--that really rattled me this afternoon.
24 I wasn't going to say anything, but since I'm
25 identified as a minority group, I will get up and

1 express myself. I'm a little shocked at some, I
2 mention no names, some individuals who have testified,
3 and I have read testimony of those who are in positions
4 in municipalities and schools and other places and I
5 am shocked at the narrow-minded, personal, selfish
6 interest that they have for their little community,
7 their group and I hope that you gentlemen and the
8 other members of the legislature and the Senate and
9 the House and they are not here, but maybe someone
10 will read this, will respond and do what you have to
11 do.

12 Thank you very much for your
13 time.

14 CHAIRMAN SWEENEY: Mr. Herschy,
15 before you walk away, we appreciate very much the
16 comments and I think that everyone, not only on this
17 committee but in both houses of the legislature is
18 trying to do precisely what you've indicated. We
19 are not committed to any one particular plan. We're
20 trying to study and give fair treatment to all plans
21 that are before the committee so that they can all
22 be released to the floor of the assembly for vote.

23 As a man who has been in education
24 and particularly in the area of guidance that as I
25 understand it, encompasses all facets of education,

1 is it your opinion that money is the sole problem
2 in effectuating a more thorough and efficient
3 education?

4 MR. HERSHEY: No, absolutely not.
5 Money is obviously a portion of the answer, but I
6 think it's the proper utilization of money that I
7 would agree with the former speakers who said that
8 just pouring money in isn't going to necessarily
9 solve it, and I, as an educator and educational
10 leader, do not say that. I think proper leadership,
11 proper reorganization of our schools, I think can be
12 addressed. This is another thing, maybe I'm sure
13 ought to be addressed.

14 I know we discussed it, why there
15 is some small little districts, there are districts
16 with no students and students with no buildings or
17 with one building, with four teachers and so on, I
18 think it's not thorough and I don't think it's efficient
19 and I'm not saying let's lump them all together in
20 one large system, but somewhere, managerially there
21 is a better way and there is a more efficient way
22 of operating schools and I feel that many of the
23 educators and the educator groups, including N.J.E.A.
24 and many other groups have suggestions and have
25 proposals for consideration and would like and would

1 willingly serve with the advisory ways and other
2 ways to help in this regard and I think that there
3 are things that can be done on a county level.

4 I think Mr. Castagna brought out
5 some excellent points in terms of more efficiently
6 bringing together bus operations and purchases of
7 material and so many things could be done better.
8 We should get better mileage out of the money that
9 we are spending. I think that is legitimate, but
10 we also in some cases may have to spend more money
11 in some cases.

12 CHAIRMAN SWEENEY: Thank you,
13 Mr. Herschy. Any other members of the committee have
14 a question?

15 MR. CHINNICI: Can I ask a question?

16 CHAIRMAN SWEENEY: Yes.

17 MR. CHINNICI: Paul, can I ask you
18 a loaded question?

19 MR. HERSCHY: Go ahead. I don't
20 know if I have a loaded answer, but I will think of one.

21 MR. CHINNICI: I've heard you
22 mention those two famous words. Can you define
23 for me in short the meaning of thorough and efficient
24 education?

25 CHAIRMAN SWEENEY: Mr. Chinnici,

1 I think we've had committees trying to do that for
2 months.

3 MR. CHINNICI: I'm trying to get
4 the answer for nothing. We've spent millions of
5 dollars to find out, maybe you can do it for nothing.

6 MR. HERSCHY: It's not easy to
7 come up with simplistic solutions and answers, you
8 see?

9 MR. CHINNICI: I told you it was
10 loaded.

11 MR. HERSCHY: I don't have a
12 simplistic answer. There have been hours and books
13 written on this, testimony from organizations from
14 all over and for me to say here in five minutes or
15 one minute or in ten words tell you what is the answer,
16 even spending the same amount of money, the inference
17 earlier was that it would provide it and the answer
18 I think is no, not just spending an identical amount
19 of money, but providing the kind of services and
20 curriculum and facilities that are designed to equalize
21 opportunity for all children, regardless of their
22 background, regardless of their community and regardless
23 of their color or religion or anything else and this is
24 not now being done, gentlemen, you know that. There is
25 inequity and you are challenged to correct those inequities.

1 I don't have the answer, but I assure you that the
2 teachers and educators and other people stand ready
3 to work with you and with the state and with the
4 county and the local boards in implementing whatever
5 plans you do develop.

6 MR. CHINNICI: I warned you it
7 was loaded.

8 CHAIRMAN SWEENEY: Thank you
9 very much, you were very helpful.

10 Before we go any further, I would
11 like to take this opportunity in line with what
12 Mr. Herschy has said to at least acknowledge the
13 presence of Jim Borgeliemer who is here from Middlesex
14 County District 18, so that will at least indicate
15 to the people that are here that not only do the
16 assemblymen and senators who are in District 2 and
17 District 1 and the lower part of South Jersey are
18 interested enough to come down, but also people
19 from the north and central Jersey area likewise are
20 interested to hear what all of you have to say,
21 so we appreciate your being here, Jim, and if you
22 want to add anything a little bit later on, just
23 let us know.

24 Getting on with the next speaker,
25 John Holovack? Tell us where you live and then proceed.

1 MR. HOLOVACK: I live in
2 Jersey City.

3 CHAIRMAN SWEENEY: Did you go to
4 the one up in East Orange?

5 MR. HOLOVACK: Yes, I did.

6 CHAIRMAN SWEENEY: You were at
7 the hearing in Hackensack?

8 MR. HOLOVACK: No.

9 CHAIRMAN SWEENEY: Okay.

10 MR. HOLOVACK: Ladies and
11 gentlemen, I am from Jersey City, born and raised,
12 public school, public high school, St. Peter's College
13 in 1971.

14 Since the nomination of Governor
15 Byrne to run for Governor of the Democratic ticket,
16 I've watched with enthusiasm the possibility of
17 a New Jersey personal income tax. Early this spring,
18 my thoughts became a reality with Governor Byrne
19 questioning an income tax on June 5th. The Governor
20 believes his program is as progressive and as
21 responsible a program for taxation that has ever
22 been proposed by any state.

23 I would disagree with that
24 vehemently. I am opposed to a state income tax.
25 I also think the Governor's program is terrible.

1 Originally it was proposed as
2 \$750.00. However, I will keep an open mind and listen
3 to arguments pro and con. I'd like to discuss
4 the program. In the Star Ledger on June 9, the
5 headlines home tax plan renders due relief despite
6 new income levy. Among other things, a New Jersey
7 resident making \$10,000.00 a year and working in
8 New York already pays \$185.00 in annual income taxes.
9 I don't know where this figure was arrived at, I worked
10 in New York for two and a half years and my 1973
11 New York bill was over \$400.00.

12 I'm just questioning the accuracy
13 of the Star Ledger. Also, you know, I'm beginning
14 to get the idea this is comical because I don't know
15 where the figures are coming from. The accompanying
16 chart describes how.

17 I wasn't aware that they raised
18 the standard to \$15,000.00. I have copies of this
19 if anyone wishes to see.

20 CHAIRMAN SWEENEY: \$15,000.00?
21 Fifteen per cent on a \$100,000.00 you're talking about.

22 MR. HOLOVACK: It was incredibly
23 inaccurate.

24 CHAIRMAN SWEENEY: Please don't
25 blame our committee for the inaccuracies of newspaper

1 reports.

2 MR. HOLOVACK: I wouldn't, but
3 they had how the income tax will affect the homeowner
4 or a family of four. A gross income of \$100,000.00,
5 15 per cent deduction, \$15,000.00.

6 CHAIRMAN SWEENEY: That's correct.

7 MR. HOLOVACK: I don't know what
8 the 15 per cent deduction is for.

9 CHAIRMAN SWEENEY: It's a standard
10 15 per cent deduction.

11 MR. HOLOVACK: On what?

12 CHAIRMAN SWEENEY: On your income
13 tax.

14 MR. HOLOVACK: The standard is
15 maximum, \$2,000.00.

16 MR. CHINNICI: The standard
17 deduction is \$750.00 per head.

18 CHAIRMAN SWEENEY: That's
19 personal exemption, the \$15,000.00 figure is inaccurate,
20 the standard deduction is 15 per cent with a maximum
21 of \$2,000.00, but to say \$15,000.00, no, that's totally
22 inaccurate.

23 MR. HOLOVACK: The Star Ledger.

24 CHAIRMAN SWEENEY: All right,
25 I'm not here to debate what the Star Ledger said.

1 MR. HOLOVACK: All right, I
2 can understand how this particular law can be
3 terribly confused.

4 CHAIRMAN SWEENEY: May I say
5 this? This is something I wanted to say all day,
6 really, and now that I'm chairing the meeting, I
7 think it's the best opportunity to bring it forth.

8 I spoke to the Governor last
9 night about the public relations aspect of his
10 program as well as the other programs that we are
11 dealing with and explained to him that if he expects
12 and if the senators and assemblymen expect to be able
13 to put forth their programs accurately, that they
14 have a definite duty to issue what we all can conceive
15 to be an intelligent press release in language
16 understandable by everyone who will be affected.

17 He agreed with that proposition
18 and indicated to me that he would, whether he had
19 already decided to do it or not, I don't know, but
20 he agreed that he was going to cancel all of his
21 appointments today and work solely on that aspect
22 of it to make sure that the program as he put it forth
23 would be understandable and by no means would that be
24 necessarily the way the bill or bills come out of the
25 Taxation Committee, because they have already been

1 substantially changed in some respects, and we expect
2 that within the next week or so there will be
3 additional substantial changes.

4 So, I would urge all of you not
5 to be misled by what you read in the newspapers.
6 I'm sure they are doing their best to try to put
7 the program across as they see it, but I also suggest
8 to you that you cannot rely entirely on what they
9 put out to you.

10 MR. HOLOVACK: I picked this
11 out right away, this is outrageous, absolutely
12 outrageous. I can see some electrician from Woodbridge
13 or someone working in Sussex County saying what is
14 this? Nobody knows what's going on and it's absolutely
15 inaccurate.

16 CHAIRMAN SWEENEY: I agree with you.

17 MR. HOLOVACK: So, I will continue.

18 The circuit breaker feature I think
19 is silly and confusing. I quote, "The circuit breaker
20 point for families earning less than \$5,000.00 is
21 five per cent of total family income." Is that taxable
22 or just the gross?

23 CHAIRMAN SWEENEY: That's the gross.

24 MR. HOLOVACK: Okay. At any rate,
25 the accompanying example, those that it really lies

1 with the income levy, not the property tax because
2 the excess of property tax is credited against the
3 income, right?

4 CHAIRMAN SWEENEY: Say again?

5 MR. HOLOVACK: There is an
6 example in the same article that shows that the
7 relief actually lies with the income levy not with
8 the property tax when the property tax exceeds whatever
9 percentages of the gross income--

10 CHAIRMAN SWEENEY: That's correct,
11 that's what the circuit breaker is designed to do,
12 not to overtax the people who have no ability to pay.

13 MR. HOLOVACK: Right, but in other
14 words, the taxpayer actually realizes no net gain
15 in dollars until the property tax exceeds the personal
16 income tax by the amount of personal income tax,
17 is that not correct?

18 CHAIRMAN SWEENEY: Well, I would
19 say basically you have indicated what the program is
20 designed to do, yes, yes.

21 MR. HOLOVACK: In other words,
22 the only people receiving relief pay out tremendous
23 property taxes.

24 CHAIRMAN SWEENEY: That's not
25 necessarily true. Let's take our own city, for example,

1 let's just run through.

2 MR. HOLOVACK: Well, you see--

3 CHAIRMAN SWEENEY: I don't want
4 you misled by what you're reading and I don't want
5 the people here to be misled by what you're saying.

6 MR. HOLOVACK: That is the
7 provision in the bill, is it not?

8 CHAIRMAN SWEENEY: The provision is
9 designed to protect the people who are in a limited
10 income bracket from paying substantial property taxes
11 that they would otherwise be required to pay.

12 MR. HOLOVACK: All right, fine.
13 There is absolutely no change in net dollars out of
14 the taxpayer's pocket until the property tax exceeds
15 his personal tax by the amount of personal tax.

16 CHAIRMAN SWEENEY: I think you're
17 putting two things together that don't belong together.

18 MR. HOLOVACK: If the excess
19 property tax is credited against the income--

20 CHAIRMAN SWEENEY: No, that's
21 not the way the program works and in order to do it
22 accurately, I would have to more or less give you
23 an example.

24 MR. HOLOVACK: All right. We'll
25 see you later, then. I mean to go through a detailed

1 example.

2 CHAIRMAN SWEENEY: Fine, we'll
3 do that later, surely.

4 MR. HOLOVACK: What would the
5 legislatures do in the future perhaps if the property
6 taxes started rising and started to exceed income
7 levy by more than the amount of income levy which is
8 the point I was trying to make. In other words,
9 if the property tax is in the future, you know,
10 more in the foreseeable future increased to such an
11 extent that the circuit breaker--that the circuit
12 breaker is in fact implemented in a lot of cases,
13 you understand what I mean?

14 CHAIRMAN SWEENEY: I do see
15 what you're saying and I want to point out to you
16 that as a part of the overall tax package, there is
17 another separate bill which also will go into the
18 income tax bill which puts a cap on the amount, a
19 percentage by which the municipality cannot increase
20 its affective tax rate.

21 MR. HOLOVACK: All right.

22 CHAIRMAN SWEENEY: I think that
23 would answer your question, I'm not sure.

24 MR. HOLOVACK: It would, but what
25 if the expenditures were--we're in a time of tremendous

1 inflation, what if the percentages keep increaseing?
2 In other words, I am inclined that there would have
3 to be a tax increase, you do understand.

4 CHAIRMAN SWEENEY: Yes, I do
5 understand what you're saying, but that's the one
6 reason I think that the Governor has chosen an income
7 tax over all others because it is supposed to be the
8 most elastic type of tax. As income rises, the
9 percentages that you take from income need not rise
10 because the amount of yield as your income goes up
11 from 1.5 per cent--let's take 1.5 per cent of \$5,000.00
12 this year will yield X number of dollars, but next
13 year if your income goes up to 7,500 and you're
14 still in that same bracket because the brackets are
15 going to be changed and I can almost assure you of
16 that, then necessarily more money will be raised
17 without increasing either the brackets or the
18 percentage.

19 MR. HOLOVACK: Okay. Let's see,
20 the Governor's plan also calls for a review of
21 courts and the welfare systems, all these systems
22 would come from this one plan. What about the future?
23 What else would fall underneath this umbrella? I see
24 a football stadium being built by a bond issue
25 guaranteed by the State of New Jersey. I would like

1 to know about that before an income tax is passed.
2 Has the legislature of the state looked into the
3 legality of the state operated racetrack? Has that
4 been finally settled? I don't know.

5 CHAIRMAN SWEENEY: We're trying
6 to confine ourselves as much as possible to the tax
7 program.

8 MR. HOLOVACK: What I'm getting
9 at, I'm talking about the income tax not today, but
10 maybe ten years from today. The whole point I'm
11 getting across is that it's for schools. The courts
12 and welfare are now, but I would like to see what
13 would be considered for the future.

14 CHAIRMAN SWEENEY: Are you asking
15 then that the income tax be a dedicated one?

16 MR. HOLOVACK: Dedicated?

17 CHAIRMAN SWEENEY: Dedicated solely
18 for the purpose of education?

19 MR. HOLOVACK: Yes, that's precisely
20 what I'm suggesting, precisely and I might add, I think
21 also an advantage to that if in fact there is some type
22 of withholding from payrolls, I think average citizens--
23 to wear out a well used phrase again, I think they will
24 see exactly what education is costing and they will
25 know exactly where the tax dollar is going in that

1 respect.

2 Let's see. If the State of
3 New Jersey is being forced to reevaluate its
4 educational financial system, I suggest that both
5 Houses concentrate precisely on that and I do not
6 recall any mandate to take over the welfare or whatever,
7 anything, for that matter.

8 CHAIRMAN SWEENEY: There was no
9 expressed mandate.

10 MR. HOLOVACK: If there are any
11 expenditures needed in the future, I would also like
12 to see the legislature not mask any funding now under
13 the ruse of this being a bill passed to aid education
14 to avoid facing future confrontations. I think that's
15 very important.

16 All right, let's see. The
17 legislature has a New Jersey Supreme Court mandate to
18 improve education delivery and restructure its
19 financing for a thorough and efficient education.
20 I'd like to know what the court meant by thorough and
21 efficient, like everybody else, I suppose.

22 CHAIRMAN SWEENEY: Yes, there were
23 a couple of committees that worked solely to develop
24 a definition of thorough and efficient education. As
25 a result of the work of the Wiley-Burkstein Committee

1 that Senator Wiley and Senator Burkstein have done,
2 they have come up with a bill that runs on for pages
3 and pages that--

4 MR. WORTHINGTON: There is a copy.

5 CHAIRMAN SWEENEY: This is a copy,
6 an extra copy. The bill number is Assembly Bill 1873,
7 is that an extra copy?

8 MR. WORTHINGTON: Yes.

9 CHAIRMAN SWEENEY: Rather than me
10 trying to explain to you what it says, I will give
11 it to you and this is what the legislature has come up
12 with as a tentative bill for the definition of thorough
13 and efficient education.

14 MR. HOLOVACK: Okay, fine.
15 I just hope--well, I will read that.

16 New Jersey is not providing a
17 thorough and efficient system of education for the
18 children of the state. I want to quote from the
19 Governor's message of 6/14. "A bill is the test of
20 how well a citizen will achieve in life." Now, I
21 don't think everyone achieves an equal station in life,
22 therefore, I quote from the succeeding paragraph, "The
23 time has come to begin the task of ending the
24 inequities that have prevented too many of our children
25 of receiving the opportunity to develop to their full

1 potential."

2 I'd like to ask the New Jersey
3 Supreme Court, should New Jersey provide more extensive
4 training for those with more ability so the ones with
5 more ability can achieve their full potential that
6 would be more than someone with less ability? Do you
7 understand what I mean?

8 CHAIRMAN SWEENEY: I understand
9 what you're saying, yes.

10 MR. HOLOVACK: I think it's
11 very vague, "thorough and efficient". I think maybe
12 the court should have something to say about that,
13 the Supreme Court.

14 CHAIRMAN SWEENEY: They gave us
15 the job.

16 MR. HOLOVACK: I believe the
17 Governor is trying to justify refinancing by saying
18 that better equalized education opportunity with better
19 equalized educational opportunity--I don't know if
20 it will. As a matter of fact, I just don't see how.

21 CHAIRMAN SWEENEY: We're not
22 really sure and that all basically goes into the
23 definition. I would suggest, Mr. Holovack, that this
24 is a pretty comprehensive bill and it's going to take
25 a lot of reading on your part, but I would suggest that

1 no member of this committee is in a position to
2 give you a definition of thorough and efficient.

3 MR. HOLOVACK: I'm not asking
4 you. Well, I'd like to know for myself and I'm sure
5 a lot of other people as yourself would like to know
6 what are the minimum requirements the courts say. I
7 should assume there is some minimum requirement. Does
8 the court say there is a maximum requirement?

9 CHAIRMAN SWEENEY: All of it is
10 contained in this bill. Do you have anything else on
11 the issue of taxation?

12 MR. HOLOVACK: Oh, yes.

13 CHAIRMAN SWEENEY: We have only
14 one hour left and we still have about eight, nine or
15 ten more speakers.

16 MR. HOLOVACK: I'd like to know
17 also--I understand this is a redistribution, is that
18 correct?

19 CHAIRMAN SWEENEY: Are you talking
20 about the tax now?

21 MR. HOLOVACK: It's called a
22 replacement tax?

23 CHAIRMAN SWEENEY: That's correct.

24 MR. HOLOVACK: Does that mean if
25 any expenditures were spent in one area, would there be

1 less expenditures in another area?

2 CHAIRMAN SWEENEY: I don't know
3 what you mean by that question.

4 MR. HOLOVACK: If more money is
5 pumped into one area, will it be pumped out of another?

6 CHAIRMAN SWEENEY: Yes.

7 MR. HOLOVACK: I would like to know,
8 does that hinder the quality of education from the
9 district which it has been replaced? I don't know
10 exactly what effect it will have on any given
11 question.

12 MR. WORTHINGTON: It doesn't
13 mean that at all, it just means that the state is going
14 to try to help those less fortunate districts by
15 providing more tax dollars for them to help them to
16 do the job.

17 MR. HOLOVACK: The point is, how
18 can it not affect a district if it's the same amount
19 of total dollars exactly?

20 MR. WORTHINGTON: If your district
21 is currently spending \$2,000.00 per child and another
22 district is currently spending \$900.00 a child, it's
23 not going to interfere with your spending \$2,000.00
24 per child, your district can still do that.

25 CHAIRMAN SWEENEY: It is local

1 leeway.

2 MR. HOLOVACK: In other words,
3 the local taxes could possibly increase or in that
4 case they would increase?

5 CHAIRMAN SWEENEY: Only if your
6 local district wanted them to.

7 MR. WORTHINGTON: And depending
8 upon what kind of a district you are and the property
9 valuation and wealth in your district. It might
10 be that they would--it might be that your local
11 tax money would actually decrease, it depends on the
12 district that you come from.

13 MR. HOLOVACK: But you are telling
14 me though the same total amount of tax dollars spent
15 for education would absolutely not be the same than
16 if one particular district happened to raise a local
17 share, is that correct?

18 MR. WORTHINGTON: Let me put it this
19 way, the tax rate in District A, if they want to spend
20 \$1,200.00 per pupil it would be the same as District B
21 or District C or District D, regardless of where they
22 are in the state, if each district wanted to spend
23 \$1,200.00 per pupil so we'd have an equalized tax rate.
24 It would cost as much in Pleasantville or in Margate
25 or Short Hills or Jersey City or wherever for \$1,200.00

1 a pupil expenditure, the rate would be the same
2 everywhere in the state. That's exactly it.

3 MR. HOLOVACK: The rate of expenditure
4 per pupil?

5 MR. WORTHINGTON: The tax rate,
6 the local tax rate would be the same. If it's \$1.10
7 per hundred to provide \$1,200.00 in this town for
8 every youngster, in your town it would be the same thing,
9 in every town in the state the local tax rate to
10 spend \$1,200.00 would be equalized, it would be
11 exactly the same.

12 CHAIRMAN SWEENEY: All right.
13 Mr. Holovack, anything else?

14 MR. HOLOVACK: Yes, I have other
15 things, I do.

16 CHAIRMAN SWEENEY: Approximately
17 how much more? I have to allocate this time so
18 everybody can be heard.

19 MR. HOLOVACK: I don't know how
20 much more time. I came to speak and here I am.

21 CHAIRMAN SWEENEY: I understand
22 that, but so have a lot of other people.

23 MR. HOLOVACK: I'll wait. Can I
24 come back after everyone else?

25 CHAIRMAN SWEENEY: I prefer that

1 we do move on, but the hearing is due to conclude
2 at ten. Bear in mind we have been here since 9:30
3 this morning.

4 MR. HOLOVACK: I've been here
5 since two, I drove down from Jersey City.

6 CHAIRMAN SWEENEY: I understand
7 that, but I'm going to have to move on to some of the
8 other people who were also here all afternoon. We're
9 not cutting you off. If we still have time in the
10 end, we'll call on you again, believe me, and we
11 thank you for what input you've had so far.

12 MR. CHINNICI: Did he speak
13 in East Orange?

14 MR. HOLOVACK: No, I did not
15 speak in East Orange.

16 (At which time there was a
17 ten minute recess.)

18 CHAIRMAN SWEENEY: Mr. Richman?
19 William Richman, is that correct?

20 MR. RICHMAN: Yes, sir.

21 CHAIRMAN SWEENEY: Would you state
22 your address please and then go ahead with your
23 presentation?

24 MR. RICHMAN: Yes, I live in
25 Ventnor, New Jersey, and first of all, I'm just

1 surprised a number of people are not here and I don't
2 think it was publicized enough. Everyone who spoke
3 to me for the last few weeks were opposed to an
4 income tax and the first thing I knew about it it
5 was mentioned there would be a public hearing. I
6 called City Hall this afternoon to find out where the
7 meeting is held, City Hall, Atlantic City, and after
8 about three minutes--first of all, he said I'll be
9 damned if I know and he said I'll find out for you.
10 He said Howard Johnson's and it was in the Press.
11 We all ought to know that, that's the amount of publicity
12 it had and it was just at the dinner table tonight
13 that I made a few notes thinking of an individual
14 representing no one but myself, and possibly speaking
15 on behalf of other senior citizens.

16 I consider myself one because I
17 happen to be of age and I've put in 45 years. I used
18 to do what that young lady is doing, I was a court
19 reporter in Philadelphia for 45 years and I had my
20 belly full of it and I came to Ventnor and decided
21 this is where I wanted to live as a retired gentleman
22 with my wife, who has raised a family who is now living
23 in different parts of New Jersey and Pennsylvania, who
24 are taxpayers which I also am a taxpayer.

25 My first question I had in mind

1 was living on a pension, would that pension be
2 subject to tax under the present proposal the same
3 as other income. It is subject to federal income
4 tax.

5 CHAIRMAN SWEENEY: I have to ask
6 you a question in order to answer your question. Is
7 your pension one which is taxable under the federal
8 program?

9 MR. RICHMAN: Yes, it is.

10 CHAIRMAN SWEENEY: Then it would
11 also be taxable under the New Jersey program as well,
12 because that is if this program were adopted and that
13 is true simply because this program is based upon
14 your federally taxable income.

15 MR. RICHMAN: That is what I thought.
16 Now, in speaking on behalf of maybe many other senior
17 citizens who are in the same boat I am, I retired
18 in 1972 early and my income was based on 1971 so-called
19 living expenses. At that time we felt well, here we
20 got a bonanza, we're going to be able to live properly,
21 buy a home in New Jersey and this is the thing I wanted
22 to do ever since I was a kid and I came in on the
23 dollar excursion and I had to see these little kids
24 stay on that beach and I had to go home because the
25 5:30 train was leaving. Now I fulfilled my dream of

1 being a resident of the seashore and I can see the
2 beach, I can go fishing and it's getting tough making
3 ends meet in 1973 and 1974 getting even tougher. Our
4 cost of living is going up. Our real estate taxes,
5 my particular little house down there, we had an increase
6 last year, 1973 and had a further increase in our
7 tax bill in 1974. We were promised another increase
8 for 1975. We are going to be assessed for water
9 usage beginning sometime next year, which is something
10 new to residents of Ventnor and we've just had meters
11 installed for which we were charged and now we're
12 going to have possibly an income tax on top of all
13 of that.

14 CHAIRMAN SWEENEY: You're familiar
15 with the circuit breaker or the guaranteed property
16 tax limitation?

17 MR. RICHMAN: Well, I'm not
18 familiar with it, to be honest with you, but as I
19 understand from what I just picked up right here that
20 if our real estate taxes exceed or maybe I ought to
21 ask you to explain it.

22 CHAIRMAN SWEENEY: I can only
23 answer your question if I get a little bit personal
24 with you. I would have to know first of all the
25 assessed valuation of your house and secondly what

1 income bracket you would be in and then I could tell
2 you whether or not under this proposed program you
3 would save or whether it would cost you money. You
4 and I could do this privately when you are finished.

5 MR. RICHMAN: Well, may I make
6 a few statements on just a few notes that I made while
7 eating dinner tonight?

8 Income of presently retired
9 persons are usually fixed at the time of retirement
10 and in this age of runaway inflation, all of us fellows
11 are sort of put in a bind to a certain extent. We've
12 set our living standard based on a certain income,
13 that income is not going up. It is fixed.

14 CHAIRMAN SWEENEY: That is correct.

15 MR. RICHMAN: But our cost of living
16 and cost of taxes are going up and we are in a bind
17 and, therefore, we have to lower our standard of
18 living to keep living properly to keep our heads up.
19 We don't want to go and apply for welfare, we don't
20 want to go and apply for food stamps, yet when we go
21 to a supermarket, I suppose you gentlemen might have
22 had experienced this if you have ever stood in a
23 checkout line and you see somebody in front of you
24 with a basket full of food and New York strip steaks
25 and things that we can't afford to buy and then out

comes an envelope with a bunch of food coupons paying off and then you say we're helping them to buy these things which we cannot afford to buy and it sort of gripes us. I know it gripes me, speaking as an individual, and I have often heard the checker say and I have to help pay for that, and I can't eat that at home because I can't afford it.

One thing that you legislatures may keep in mind in some of your regulations, maybe teach these people how to spend their money instead of the moment they can't get their food stamps they have to go on a riot in Atlantic City because they don't have a nickel left over one moment to the next and a lot of other little things I had. There is a tax exemption for senior citizens in New Jersey, I think it's \$160.00.

CHAIRMAN SWEENEY: That's correct.

MR. RICHMAN: No, in some way I really feel that you are awarding the spendthrift and you are penalizing the thrifty. I happened to be one fellow that from the time I was married some 40 some odd years ago, we started to save our pennies because someday, someday if we live long enough we are going to retire and we'll do the things that we dreamed of doing in our working years; take a cruise

1 once in awhile, maybe fly to see Disneyland or
2 California, we're going to be able to do that because
3 we are saving. So, we saved and we bought a few
4 shares of stock which today aren't doing too good,
5 but are still paying a little bit of dividends, but
6 the mere fact and also working for the city I
7 contributed to a pension fund and eventually I've
8 been collecting on that pension fund and that is the
9 basis of what we are living on, a pension, social
10 security and thank God for that tax-free money which
11 we paid for and some dividends and interest and
12 because we happened to get over \$5,000.00 a year,
13 we are not allowed to take credit for \$160.00 on
14 our real estate taxes but yet my brother reporter
15 who just didn't give a damn about spending any
16 money, who had a couple of cocktails at lunch where
17 I would have a ham sandwich and a cup of coffee,
18 he wound up when he quit, he didn't have a nickel
19 saved and he had no income at all, but he's on social
20 security. He gets a discount because he doesn't have
21 an income exceeding \$5,000.00 and I think that such
22 credit should be given on the basis of age and not
23 income. I think that every senior citizen ought to
24 get the benefits that any other senior citizen gets
25 from the state, not just those that--well, I've often

1 told the story of two twin brothers, one of whom was
2 a spendthrift and the other of whom was thrifty.
3 Their parents gave them a house, they inherited the
4 house for each of them, and one of them was broke.
5 He got a credit, the other had saved a little dough
6 and he couldn't get it because he deprived himself
7 of things in earlier years that his twin brother
8 had the advantage of doing and I'd appreciate that
9 \$160.00 credit. That would give me a little trip
10 down to Williamsburg some weekend.

11 CHAIRMAN SWEENEY: That bill is
12 presently under consideration by the committee, by
13 the way. We discussed it this morning and I am led
14 to believe that there will be a further discussion
15 on this particular bill.

16 MR. RICHMAN: I hope you're
17 in favor of it, I mean I could use that \$160.00.
18 It would help me get a few more pints of minnows.

19 CHAIRMAN SWEENEY: Quite a bit
20 more minnows.

21 MR. RICHMAN: They are not subject
22 to inflation, \$1.05.

23 CHAIRMAN SWEENEY: Mr. McCue, one of
24 our staffmen has indicated to me that he would sit
25 down with you, because I'd be curious to find out your

1 particular tax program, you know, your position under
2 this program and it will be private and off the record.

3 MR. RICHMAN: May I just have a
4 few more words?

5 CHAIRMAN SWEENEY: Sure.

6 MR. RICHMAN: You know, when we
7 complain about our increased assessments, I say I
8 got an increase in '73 and another one in '74, the
9 tax assessor says well, will you sell it for the
10 assessed price? That shouldn't be the question. The
11 question should be, I want to be able to afford to
12 live down here. Can we afford to live down here and
13 pay these increased taxes when our incomes aren't
14 going up? Our incomes have been fixed way back when
15 and I think that's something you legislatures ought
16 to think about. That might be all I have to say.

17 A friend of mine has an income
18 of \$4,600.00 and got a credit of \$160.00 on his
19 real estate tax. He has a few six per cent certificates
20 of deposit in the bank and I suggested he switch them
21 to seven and a half per cent which are now available
22 and he said, The hell with that, that would put me
23 over the \$5,000.00 bracket. I would lose that \$160.00.
24 I think that breakoff is unfair, thank you.

25 CHAIRMAN SWEENEY: Thank you very

1 much.

2 Is Mrs. Cramer here? All right.
3 Mr. Stowe, did he ever come in? Okay, Mr. Stowe.
4 Eugene B. Bonner?

5 FROM THE FLOOR: Yes.

6 CHAIRMAN SWEENEY: Please come
7 up, Mr. Bonner.

8 MR. BONNER: I'd like to thank
9 you for the opportunity to express a few words to
10 the committee. I was here earlier today and I had
11 come because I was rather dismayed to read in the
12 newspapers that apparently the Byrne plan was going
13 to run up against the same fate that the Sears tax
14 report had run up against. According to the newspapers,
15 now whether this is because they are doing a good
16 publicity job, maybe the Byrne plan is not, but
17 Mr. Russo, I believe, said it's dead. Mr. Chinnici
18 indicated the same thing, am I correct in that?

19 So, the poor Byrne plan is
20 something that the real estate taxpayers have looked
21 forward to for five years now. I know and certainly
22 I am sure that most real estate owners or real
23 property owners were very, very much dismayed when
24 the other one was defeated. Now, here we have a
25 possibility of a new plan, a broad-based tax, based

1 on the ability to pay, which in my opinion, you cannot
2 find any fairer method of taxation and still according
3 to the newspapers it's going down the drain, but
4 as I listened early today, I thought well, I must be
5 wrong because every speaker I heard indicated their
6 approval of the Byrne plan.

7 Now, I must say that since I've
8 come back this evening, I've heard a few that were
9 not quite in accord with that. In fact, I was very
10 much dismayed and surprised when a former co-worker
11 of mine in the City of Pleasantville who was a very,
12 very sharp young man and has done an awful lot of
13 hard work in trying to correct many of the bills
14 that we had been submitted to for many years over there.
15 I like to correct something that he said. He made
16 this statement and I confronted him with it and I'm
17 very much surprised that you were so strong about the
18 senior citizens. Well, he did reiterate that well,
19 they are getting \$160.00 exemption and I said no, they
20 are not. He said Oh, yes they are. I said I'm a
21 senior citizen and I'm a property tax owner and in
22 Pleasantville I don't get \$160.00 rebate or a deduction.

23 Well, at that point he indicated
24 that he did not know that it was tied in with a \$5,000.00
25 minimum figure. So, I think that the many who might

1 have heard that would recognize that he would, if
 2 he were repeating it, he would qualify a little bit
 3 more than that.

4 I would bring to the committee's
 5 attention that just about five years ago the taxpayers
 6 of Atlantic County itself and not only Atlantic County,
 7 but throughout the state were almost at a point of
 8 rebellion and I think we can all remember that. In
 9 fact, that's how I happened to become involved in
 10 any aspect of politics, because there was a change
 11 in our tax assessment in when they referred to a
 12 Pleasantville over there and we formed a committee
 13 of which Mr. Castagna was a member. We worked
 14 very hard together and we showed the governing
 15 body down there their errors in many things, but
 16 there was nothing doing about it.

17 But not long after that, we did
 18 do something about it because we each went political
 19 and I think if the Senator were here, Mr. Perskie,
 20 they would recognize that in Atlantic County and as
 21 you remember, something was done by the people and
 22 primarily by those that were being taxed so hard and
 23 being pushed to the wall so badly that they got up
 24 in arms. The history of that little affair is a
 25 matter of record now, Atlantic County went through a

1 little phase that had never occurred for 67 years.
2 The county, the state and my local community, but
3 the point that I'm trying to get at now is that we
4 have been looking forward to this sort of thing for
5 five years now. I don't think there would have ever
6 been a Botter decision.

7 My name is B-o-n-n-e-r, not
8 B-o-t-t-e-r. I don't think there would be a Botter
9 decision if municipalities like little Pleasantville
10 and Mrs. Cramer leading the the taxpayers and so forth
11 had not gotten up in arms so strongly that they showed
12 that we did something about it, but I think that just
13 on the basis of the necessity for a reallocation of
14 the costs of the schools, I would say that I think it
15 should be limited, this taxation problem and receipts
16 should be dedicated to schools and not to cloud the
17 issue by bringing so much other things in that a lot
18 of people are going to think, what are we going to end
19 up with. If we talk about the schools, if we talk
20 about the money that we get on this income tax which
21 is a dirty word generally, but I don't think it's
22 a dirty word. I think if the income tax is handled
23 properly and I certainly feel that from what I have
24 read and from the plans that I have read the Byrne plan
25 seems to be the logical plan to put in for the State of

1 New Jersey.

2 As a senior citizen, I think
3 I can reflect the opinion of many of my cohorts
4 and many that I've heard up here during the day and
5 just a few minutes ago that I think most of it is
6 experience that most of us who came down from
7 New Jersey, I'm from another town, retired from another
8 state, bought a new home in New Jersey and within
9 four years my taxes for my little home went up from
10 400 to \$800.00.

11 Now, certainly my paying is not
12 my ability to pay every dollar that comes out of mine
13 and similar pocketbooks now on a steady fixed income
14 is cutting off someplace else. So, I do not hesitate,
15 I have no apologies to make to anyone to say that
16 the property tax owner should be relieved of some
17 of the burden that we have been going through for
18 the last number of years and I think I would close
19 my remarks with that to saying that I think you should
20 proceed on. Maybe you should do it a little better
21 advertising, I'm surprised that we didn't have some
22 examples maybe put up on a blackboard around here to
23 show typical examples of what may be somebody on a
24 \$5,000.00, \$10,000.00 or \$15,000.00 bracket would have
25 to pay.

1 CHAIRMAN SWEENEY: Hopefully,
2 if I may interrrupt for a second, we were, not all
3 but a select few of us who have to hold these
4 hearings and gradually the balance of the legislators
5 will be given this blue booklet which gives a town-by-town
6 breakdown of the effect of the Byrne plan of individuals
7 who are in income brackets of five, nine, 13, 17, 26
8 and \$80,000.00 brackets.

9 We complained a bit that there are
10 a few people in the \$80,000.00 bracket and we should
11 like to see the brackets closed up a little so we could
12 give out better examples. In order to do so, we have
13 to extrapolate the figures and come up with the
14 examples. We just got it the other day and it's
15 a difficult thing to digest along with other bills.
16 I'm sure in the very near future you'll see what
17 you are talking about stated accurately in the Press
18 and also there will be additional public hearings
19 where we have to have more time to give examples such
20 as you speak of.

21 MR. BONNER: Come out in the
22 newspaper and say that the Byrne plan is not dead. If
23 they say it is dead, you say it is not dead.

24 CHAIRMAN SWEENEY: Well, we are not
25 here to sell any plan in particular.

1 MR. BONNER: Some could, anyhow.

2 CHAIRMAN SWEENEY: Let me assure
3 you, the Byrne plan is not dead. It is alive. We
4 don't know how well it is now, but it is alive.

5 MR. BONNER: Thank you very much.

6 CHAIRMAN SWEENEY: Thank you,
7 Mr. Bonner. Any questions of Mr. Bonner from the
8 committee?

9 MR. WORTHINGTON: I'd be happy to
10 share my blue book with Mr. Bonner and I'll be happy
11 to do it now and let him see what Pleasantville is
12 like.

13 CHAIRMAN SWEENEY: The next person
14 I have on the list is Janet Schrier, S-c-h-r-i-e-r.

15 JANET SCHRIER: I'm from
16 Bridgeton, New Jersey and I am representing the
17 Cumberland County League of Women Voters. We are
18 an organization of 100 women in Cumberland County.

19 Tonight in the Vineland Times
20 Journal, our state Senator Cafiero and Assemblyman
21 Hurley indicated that they were against the state income
22 tax but they are in favor of raising the sales tax a
23 few cents to equalize education in New Jersey.

24 We are against this proposal for
25 a number of reasons.

1 1. The sales tax is a regressive
2 tax. It hits hardest those people at the lower
3 end of the income scale. For example, a person
4 who makes \$100,000.00 a year pays five cents on the
5 dollar for sales tax just the same as the person
6 who makes \$5,000.00 a year.

7 2. A one to two cent increase
8 in the sales tax will not provide a thorough and
9 efficient education as mandated by the Botter decision.

10 3. New York pays one of the
11 highest property tax rates in the nation. This
12 rate has tripled since 1960. What if the property
13 tax rate triples in the next decade? Do you want
14 to see this happen?

15 4. A high real estate tax
16 coupled with high down payment and interest rates
17 aggravates the present housing problem.

18 5. A tax should be based on the
19 ability to pay. A person's income may drop or stay
20 the same, but his property tax invariably goes up.
21 An income tax would be based on a person's annual
22 income.

23 6. Because there are inequities
24 between localities and the tax assessments of property,
25 an income tax would be a much fairer method of

1 determining a person's true assets.

2 7. A high real estate tax might
3 tend to discourage industry from coming into New Jersey

4 8. Farmers can't afford the high
5 property tax rates and are selling out to developers
6 which lessens the amount of farmland in New Jersey.

7 9. Older people are finding it
8 increasingly difficult to hold onto their homes they've
9 worked a lifetime to own.

10 10. At the present time, some
11 school districts are spending three times what others
12 are paying per pupil for education which, of course, is
13 the primary reason the income tax is proposed.

14 11. Urban areas which have the
15 highest property tax rates often spend a lower sum
16 of money per pupil for educating because of the added
17 need for greater police and fire protection in addition
18 to hire welfare costs. This is opposed to the
19 suburban community zoned for large lots and homes
20 which require little police and fire protection and
21 have hardly no welfare costs. Their per pupil
22 expenditures are much higher.

23 12. Since New Jersey ranks 44th
24 in the nation in annual per person payment of taxes and
25 we are at the bottom in a number of services such as

1 50th among 50 states in higher education--isn't it
2 about time we reversed this and enact a fair tax
3 that would improve our standard of living and quality
4 of life. That's all.

5 CHAIRMAN SWEENEY: I thank you
6 very much. Any members of the committee have any
7 questions at all? Thank you very much.

8 Next, Mrs. Trelling, would you
9 give your full name?

10 MRS. TRELLING: Minnie Trelling,
11 Mrs. J. Trelling. I had no preparation in advance,
12 but having been here a good part of the day, I've
13 found many things I would like to comment upon. I
14 am definitely not in favor of the income tax because
15 I feel that it would be the straw that would break
16 the camel's back, so to speak for many people. I believe
17 I picked up what you said about the circuit breaker
18 for our taxes, but is there any guarantee that our
19 taxes would not go up from past performances of, for
20 instance, the sales tax that originally was supposed
21 to eliminate many other taxes which it did not do and,
22 besides, I feel we've all been taxed to the hilt right
23 now and there has been a great deal said about taxing
24 the wealthy and I, in considering of speaking of an
25 \$80,000.00 income, after the federal taxes are paid,

1 the I.R.S. taxes, isn't that about 50 per cent of
2 \$80,000.00? Am I right, that they would only have
3 about \$40,000.00?

4 CHAIRMAN SWEENEY: You're talking
5 about what, the income tax bracket they would be in
6 federally?

7 MRS. TRELLING: Yes.

8 CHAIRMAN SWEENEY: I frankly don't
9 know the answer of that. Do you know if you are in
10 the \$80,000.00 bracket federally what bracket you
11 would be in?

12 MRS. TRELLING: Yes, I believe so,
13 and so you can't say that you're taxing them on
14 \$80,000.00, because you'd be taxing them on \$80,000.00,
15 but they really aren't able to keep more than half
16 of that, as I understand it, and I feel that I don't
17 know why we're picking on the rich. I think it would
18 be very nice to be rich and I think we need the rich
19 people to run our country. It's those people who have
20 really made our country, it's not the average person,
21 the laborer and so forth who have helped our country
22 rise to where it is and I was wondering if the
23 legislature wouldn't think of trying to cut down on
24 certain expenses like the welfare.

25 I know this has been touched

1 upon and which I think it is so greatly abused and
2 I think we all know that. The idea of encouraging
3 the birth of illegitimate children and paying for
4 each child and increasing as the child grows older,
5 I've made a study of this at one time.

6 Another thing, when you are speaking
7 of the school programs that this tax would be funding
8 the schools, I think and I wonder if the legislature
9 has examined fully some of the programs that are
10 presented to the schools. I've known of many of them
11 that were very, very impractical and some of them
12 are actually fantastic to think that they would be
13 government funded or state funded, and I think that
14 these things should be looked into and there was one
15 in Ventnor City, a friend of ours told us a few
16 years ago that she was teaching there part-time in
17 the summer and they had a program going for I think
18 the younger children and she said that they were
19 buying supplies and at the end of the season they had
20 about \$11,000.00 left over and they were buying very
21 economically and they were told they had to spend that
22 \$11,000.00 regardless in order to get the funding. Now,
23 isn't that inequitable? Is there such a thing that has
24 to be? I think that something should be looked into
25 there.

CHAIRMAN SWEENEY: May I just--be--

I forget some of the questions that you've raised, I don't know whether you were here earlier when I mentioned that in speaking with the Governor last evening he has indicated a very strong desire to go to what is called a zero-based budgeting that would require each department that comes before the Joint Appropriations Committee at the budget hearing time to justify the budget that they had in the prior year before they would be able to ask even for that same amount again for the following year or for an increase. So that, in effect, that will help to not put a cap exactly on the state spending, but it will justify to the Joint Tax Committee or the Joint Appropriations Committee and we in turn would be able to justify to the people where this money is being used and what it's being used for in a far better manner than we are able to ascertain at this time when you don't use the zero-based budgeting system.

One other question that you seemed to be concerned about was the rise in local property taxes and what we could do to prevent that. Again, I would say that there is presently, as a part of the Governor's package, and this is the only one that has this, a cap on the real estate taxes so that the

1 affective rate of real estate taxes would be permitted
2 to increase no greater than six per cent than it was
3 in the prior year so that--and believe me, many mayors
4 testified here today and in the last few days that
5 said that they doubted that they could live with a
6 six per cent cap.

7 MRS. TRELLING: How can some of
8 the people live with it?

9 CHAIRMAN SWEENEY: That's what we
10 are concerned about. We are concerned about that
11 and we each discussed lowering the cap to three per cent.
12 As a matter of fact, the Speaker of the House has
13 indicated his desire that the cap be lowered. It may
14 be. I doubt that the cap will be raised.

15 MRS. TRELLING: I've lived in the
16 same house for over 45 years and our real estate taxes
17 have been raised well over 300 per cent and, after all,
18 you know, a house over 45 years old to think of paying
19 that kind of increase, especially--

20 CHAIRMAN SWEENEY: --on a fixed
21 income.

22 MRS. TRELLING: When you are retired
23 and has been pointed out before the income of many
24 people, the income of many people has curtailed with
25 the stock market and due to the fact when you retire,

1 figure on a certain amount of income inflation goes
2 wild and prices rise so what are you going to do.
3 I wonder if the legislature has considered that after
4 formulating the state income tax plan to submit it
5 to public referendum and let the people of New Jersey
6 decide whether they want it.

7 CHAIRMAN SWEENEY: That is not
8 a part of the Governor's proposal. It is, however,
9 something that has been recommended to the Taxation
10 Committee. As a matter of fact, it was recommended,
11 I think, this morning.

12 MRS. TRELLING: I wasn't here.

13 CHAIRMAN SWEENEY: Well, this
14 was at the committee meeting that there be a referendum.
15 This was raised during the public portion of the
16 hearing of the committee and it was open to the public
17 also, but it was suggested by one legislator, as I
18 recall, the Assemblyman William Hamilton of Middlesex
19 County, that the program be used as a pilot program
20 for a period of one year to see how it works and that
21 it be placed on a referendum after that year and let
22 the people decide then whether it's a fair system of
23 taxation.

24 Now, that is a matter for a great
25 deal of conjecture and I have not formulated an opinion

1 on that myself. We are aware of the problems that
2 you raise. As a matter of fact, most of them I think
3 have been considered in the present package, most,
4 if not all.

5 MRS. TRELLING: Well, I am glad
6 to hear that. Well, has anything been done about the
7 abuse of welfare? Can't that be looked into more
8 deeply than it has in the past?

9 CHAIRMAN SWEENEY: That doesn't
10 deal exactly in a direct manner with the tax proposals
11 before us, but lest I avoid answering your question,
12 I will point out to you that during the Joint Appropriations
13 Hearings, I questioned a member of the welfare department
14 pretty thoroughly on that point to determine what the
15 degree of error was and what that was costing the
16 State of New Jersey and it was a significant figure.
17 They agreed they should look into that immediately
18 and I think with a thorough investigation into that
19 area, together with some zero-based budgeting practiced
20 next year, that some of these problems will be solved.

21 MRS. TRELLING: The reason I
22 brought it up, I feel it's relevant because a great
23 deal of that money is recovered or curtailed in paying,
24 then that would go toward or could go toward the funding
25 of the schools and maybe not make necessary the

1 additional tax. Well, thank you.

2 CHAIRMAN SWEENEY: Thank you.

3 Any members of the committee have any questions of
4 Mrs. Trelling? If not, Mrs. Trelling, we thank you
5 very much. That is the last of the ones on the list
6 I have here. We do have Mr. Holovack who has indicated
7 he wants to make a few more brief comments.

8 MR. HOLOVACK: I didn't say brief.

9 CHAIRMAN SWEENEY: I said brief.

10 MR. HOLOVACK: Does that mean I
11 can speak with you at some other time?

12 CHAIRMAN SWEENEY: We're going to
13 give you some more time here tonight, because we do
14 have some assemblymen here and some of the members of
15 the staff here who have traveled a considerable distance
16 and been here all day. I know that you have, but we
17 have work to do tomorrow as well and bright and early
18 Monday morning. So, is there anyone else here who has
19 not spoken yet that would like to be heard? Sir?

20 FROM THE FLOOR: May I be heard
21 at this time?

22 CHAIRMAN SWEENEY: Yes. What is
23 your name?

24 FROM THE FLOOR: Neil McDermott and
25 I am a resident of Brigantine, the City of Brigantine,

1 Atlantic County.

2 CHAIRMAN SWEENEY: Yes, sir.

3 MR. McDERMOTT: I'd like to speak
4 as a private citizen strongly against the income tax
5 and I base this idea on general terms that the tax
6 structure has become oppressive to the middle class
7 across the country and become oppressive, it's reaching
8 a point where it's becoming confiscatory and I think
9 that the State of New Jersey is going to have to try
10 and run their business in a better way like any other
11 good business within their means and forget entirely
12 the idea of a state income tax and I speak as one
13 individual and I feel if you poll the seven and a half
14 million people in the state, I would feel that this
15 would be the consensus of the opinion of other
16 citizens of the State of New Jersey.

17 CHAIRMAN SWEENEY: Just so we
18 understand your position, you are opposed to the
19 concept of an income tax generally and not to any
20 specific plan?

21 MR. McDERMOTT: I'm opposed. May
22 I ask a question?

23 CHAIRMAN SWEENEY: Surely.

24 MR. McDERMOTT: How much has the
25 budget increased say from 1969 to '74? How much has our

90

1 state budget been increased in those five years,
2 do you know?

3 MR. CHINNICI: Eight or nine to
4 one.

5 CHAIRMAN SWEENEY: No, our staff
6 has indicated it has about doubled.

7 MR. McDERMOTT: Well, to double
8 in about five years indicates what our problem is.
9 Our population certainly hasn't doubled in five years,
10 which is again poor business management on the part
11 of the state. I think the state is going to have to
12 learn to live within their income and again, you come
13 back to your middle class citizen who is the backbone
14 of your society. In general terms, if you destroy
15 the incentive of this individual who represents the
16 broad spectrum of your society, you run into the
17 situation where you actually start to destroy a
18 society which has been proven historically by oppressive
19 substantiation and I would strongly recommend that the
20 income tax idea be forgotten entirely and if
21 absolutely necessary, if some other means would have to
22 be, some compromise would have to be reached, I think
23 it would be more practicable but only again, if
24 absolutely necessary because I'm against any increase
25 in taxes per se, but I think it would be somewhat more

1 palatable if it would be necessary to change the
2 sales tax from five per cent to six per cent, which
3 is equal to the surrounding states of Pennsylvania,
4 and New York and I think this would be again, only
5 if necessary, the lesser of the two evils and I would
6 rather that this not be the case, also.

7 CHAIRMAN SWEENEY: You're aware of
8 the court decision that tells us that we have to
9 change our system of financing education?

10 MR. McDERMOTT: Yes, I am.

11 CHAIRMAN SWEENEY: And you have
12 indicated that you feel that the income tax is not
13 the appropriate way of doing it because you feel it
14 to be confiscatory and oppressive?

15 MR. McDERMOTT: If I may, I'm
16 speaking of when I mention income taxes becoming
17 oppressive and confiscatory, I begin with the federal
18 income tax.

19 CHAIRMAN SWEENEY: I understand
20 that.

21 MR. McDERMOTT: And to extend it to
22 the state level--

23 CHAIRMAN SWEENEY: What alternative
24 method of a financing education would you suggest?

25 MR. McDERMOTT: I think this would

1 have been thought of, of course when you tell me that
2 the budget doubled in five years--

3 CHAIRMAN SWEENEY: Let me point
4 out to you, lest we all be fooled that approximately
5 75 per cent of budget increases over the last five
6 years were due primarily to inflation and not just
7 increased haphazard spending.

8 MR. McDERMOTT: Inflation has been
9 that great in the last five years, inflation is a
10 problem, but it's not that great of a problem.

11 CHAIRMAN SWEENEY: As our staff
12 has pointed out, and we rely on them for guidance when
13 we talk of figures. If you take ten per cent inflation
14 a year and compound it over a period of five years--

15 MR. McDERMOTT: Milton Freedman
16 today, he feels that a 6.1 inflation which is projected
17 for this year is much too high. No one is talking
18 about a ten per cent inflation, that would be out of
19 the question.

20 CHAIRMAN SWEENEY: Last year it
21 was 12.

22 MR. McDERMOTT: Which is why we're
23 having the great problem across the country.

24 CHAIRMAN SWEENEY: But to get back
25 to my original question then, what alternative plan

1 or method would you propose?

2 MR. McDERMOTT: The alternative
3 plan or method would rely on present means. Well,
4 first of all, I think there has been a lot of
5 mismanagement.

6 CHAIRMAN SWEENEY: Well, the court
7 said we can't use the present method.

8 MR. McDERMOTT: The way this would
9 have to be done would be a state poll where property
10 tax is presently operated on a local level--

11 CHAIRMAN SWEENEY: You're saying
12 a statewide property tax?

13 MR. McDERMOTT: Which would be an
14 alternative. Keep the property tax percentile
15 perhaps the same, but have this allocated by the
16 state in a more equitable way so each student across
17 the state gets the same amount of dollars spent for
18 his education.

19 CHAIRMAN SWEENEY: Do you agree
20 with the general proposition that a property tax is
21 a regressive tax?

22 MR. McDERMOTT: I feel it could be
23 better handled in some areas regarding the industrial
24 complex of paying a greater share like in North Jersey,
25 the area where you have strong industrial complexes. I

1 think that the more equitable arrangement could be
2 handled there between the amount that industries pay
3 and the amount that the individual property owner
4 pays. Well, your oil industry which has been in
5 the news very prominently lately, they pay a very
6 low percentage in New Jersey, I'm sure, as they do in
7 the federal government. So, I think we want to
8 promote industry, but I think they should be along
9 with it to see if industry owes more of a fair share
10 to the property tax and again as a compromise, if it
11 becomes necessary, I think it would be more popular
12 with the citizenry too, if necessary, increase the
13 state sales tax, taking into consideration that we
14 are, to a large extent a resort state and looking
15 at it realistically, we do have a large number of
16 tourists that would contribute to the state and it
17 would not fall upon all of the seven and a half million
18 residents of the State of New Jersey, but I'd like
19 to say in very strong terms, I'm strongly against
20 the income tax and I feel that most people across the
21 State of New Jersey would agree with that position and
22 I'd like to thank you for the opportunity.

23 CHAIRMAN SWEENEY: That's why
24 we're here and we'd like to thank you for coming before
25 us. Thank you very much. Is there anyone else? Yes, man.

1 FROM THE FLOOR: I'm Ida Taylor
2 Sackett and I live in Ventnor. I wonder if we are
3 going to have a chance to vote on this ourselves as
4 individuals?

5 CHAIRMAN SWEENEY: Mrs. Sackett,
6 I'm not so sure that that will be the case. I would
7 not want to be the person to judge what will happen
8 as far as the referendum is concerned. As I have
9 indicated, that has been brought up in the committee
10 in both the House and the Senate who would like to
11 see it go to a referendum after it has been in effect
12 for a year or so. We're not sure if it will become
13 effective, we have not studied it.

14 MRS. SACKETT: It's a very important
15 question and I think the public should have a right
16 to vote on it for or against it and regardless of
17 that part of it, the questions that are asked when you
18 pay your national income tax is very complicated,
19 would you believe that the questions for the state
20 tax would be as complicated as they were?

21 CHAIRMAN SWEENEY: No, mam, simply
22 for this reason that as I understand it, it would
23 probably involve only one or two very easy calculations,
24 because it would be based upon line 48 of your federal
25 income tax return, so that you would calculate what

1 you owe to the State of New Jersey on the basis of
2 what your federal taxable income is.

3 MRS. SACKETT: Does the state
4 really need this money?

5 CHAIRMAN SWEENEY: It's not raising
6 new funds, that's what I want to point out. It's
7 a replacement tax. This is what the Byrne plan is,
8 it's a replacement tax. It's not raising any new money,
9 it's taking what they call the municipality burden
10 and it's taking away from the local property tax and
11 the only part which really constitutes new funds would
12 be what we call the nonrecurring surplus that we would
13 use this year left over from last year that we don't
14 project having this fiscal year, but that we know we
15 will need in future budgets, but it is a replacement
16 tax and I think that's the idea that a great many
17 people misunderstand. Simply because it's a new tax
18 does not mean it's going to raise new funds. It will
19 replace other funds that are coming off your property
20 tax.

21 MRS. SACKETT: Well, I'll vote
22 against it. Thank you.

23 CHAIRMAN SWEENEY: Is there anyone
24 else who has not been heard who would like to be heard?

25 MR. HOLOVACK: I will be brief and I

1 will request that I speak with you or one of the
2 members so I can make some feelings known to the
3 committee.

4 CHAIRMAN SWEENEY: We still have
5 a few minutes here. Will you be in Trenton on Monday?
6 We can put you on the list on Monday, if you like.

7 MR. HOLOVACK: I think I asked a lot
8 of viable questions earlier and they really weren't
9 answered. I believe they were viable questions and
10 they weren't answered to my satisfaction and that's
11 the reason I asked them, because I couldn't answer them
12 myself and I just believe that these points should
13 be brought out and considered before any type of
14 legislation is passed and most of it--I asked a lot
15 of questions revolving--like I talked about a football
16 stadium, I think that's absolutely applicable to this
17 question of the tax package and I honestly believe
18 it and I think to say otherwise is a lie. I don't
19 see how you can disagree with that.

20 CHAIRMAN SWEENEY: I didn't say I
21 disagree with you.

22 MR. HOLOVACK: But there was talk
23 this afternoon about a repeal of the sales tax, five
24 per cent on this Byrne package. Do you know what effect
25 this would have to the amount needed?

1 CHAIRMAN SWEENEY: The talk that
2 was had this morning and this afternoon dealt with
3 possibly reducing the sales tax from five per cent
4 to three per cent. As I understand it, the yield from
5 one per cent on the sales tax is roughly 166 million
6 dollars. We have used a rough figure of 320 million
7 dollars and if it were reduced by two per cent, and
8 the proposal by the chairman of the committee, Steve
9 Perskie, was that that additional revenue would be
10 raised by a state income tax by either raising the
11 rates or changing the brackets or something along those
12 lines because he believes, and he has a right to believe,
13 that the sales tax is a regressive tax, that it hits
14 everybody equally who don't have equal incomes.

15 MR. HOLOVACK: Well, I don't know.
16 I understand it, I mean.

17 CHAIRMAN SWEENEY: You know that
18 everybody pays five per cent regardless of what their
19 income is.

20 MR. HOLOVACK: That is true. The
21 point is, I see estimated budget tax, \$830,000.00 and
22 I see also the Governor's tax program approximately
23 900 million dollars.

24 CHAIRMAN SWEENEY: Approximately
25 900 million dollars, yes.

1 MR. HOLOVACK: That means the
2 incomes and the Governor's would be approximately
3 double, is that right?

4 CHAIRMAN SWEENEY: Approximately,
5 yes.

6 MR. HOLOVACK: I think that
7 will conclude, thank you.

8 CHAIRMAN SWEENEY: All right,
9 and believe me, we'd be happy to put you on the list
10 for Monday, if you will see either Mr. Deardorff or
11 Mr. McCue, they will take your name. Better than that,
12 if you do come on Monday we'll put you right on the
13 list.

14 MR. RICHMAN: I've often heard
15 that sales tax is unfair.

16 CHAIRMAN SWEENEY: I didn't say
17 unfair, I said regressive.

18 MR. RICHMAN: Regressive, because
19 it strikes everybody the same, right? That's true,
20 but you take a person on the lower income, most of
21 his income is spent for food, clothing and housing
22 that almost can take his entire income and he has
23 nothing left to pay his sales tax. Those in the higher
24 income spend a smaller amount on all the percentage
25 of their incomes on food, shelter and clothing and so

1 on and have more money to spend on taxable items.

2 CHAIRMAN SWEENEY: We have had
3 the figures brought in this morning on what the effective
4 rate is on the lower income people and in the bracket
5 from zero to \$5,000.00, the effective rate is 1.70
6 per cent of his income.

7 MR. RICHMAN: Each, that's
8 surprising.

9 CHAIRMAN SWEENEY: Now, if you
10 take the higher income on the \$25,000.00 income, it
11 is .88 per cent of his income, so what we're saying,
12 the only reason we say it's a regressive tax is that
13 it's hitting the little guy harder than it's hitting
14 the big guy, whether anybody wants to believe it or
15 not, that's what the mathematics shows us.

16 MR. RICHMAN: It's the old story
17 of figures don't lie, but liars can figure. That's what
18 I come to.

19 CHAIRMAN SWEENEY: I hope you're
20 not pointing that at any particular person. I don't
21 come up with the figures, by the way.

22 MR. HOLOVACK: If I offer to you
23 a system whereby to finance just schools across the
24 state, the whole total budget of approximately a billion
25 dollars with no tax to people 66 and over, none, and

1 no income tax returns to be filed to the State of
2 New Jersey--

3 CHAIRMAN SWEENEY: Any property
4 tax relief?

5 MR. HOLOVACK: Yes, I'm saying the
6 state take over the complete funding of the school
7 programming.

8 CHAIRMAN SWEENEY: A hundred per cent
9 financing?

10 MR. HOLOVACK: Yes.

11 CHAIRMAN SWEENEY: It's 2.1 billion,
12 they go as high as 2.4 billion dollars.

13 MR. HOLOVACK: Okay.

14 CHAIRMAN SWEENEY: I would like
15 to see it.

16 MR. HOLOVACK: Now?

17 CHAIRMAN SWEENEY: I would prefer
18 to see it Monday.

19 MR. McDERMOTT: I'd like to ask
20 a question, if I may. I see you've compiled a lot
21 of figures. I wonder where the figures were when he
22 was running for office and said he saw no foreseeable
23 tax in the future?

24 CHAIRMAN SWEENEY: I don't intend
25 to sit here and defend Governor Byrne or anybody else,

1 because that's not the purpose, but the same question
2 was asked of Senator Perskie when he was chairing
3 this meeting this afternoon. His recollection and
4 mine runs the same as his and it was that Governor
5 Byrne said there would be no standard to fund general
6 state operations in general funds are far different
7 from financing education.

8 Granted, we did not do all the
9 workups that we had right now because we as
10 legislators, this is my first term, had no idea that
11 we were going to be faced with a program such as this.
12 We had no real reason in effect to do the workups
13 we're doing right now and in such a hurry.

14 MR. McDERMOTT: I don't care to
15 discuss personalities either, but this is germane to
16 the issue because the citizen reads a headline,
17 Brendan Byrne: I don't see any foreseeable income
18 tax and doesn't read the small print underneath. I
19 think in a small way the question of intellectual,
20 the candidate for governor or any other office has
21 some responsibility to the public to stand by his
22 slogan of promises or campaign speeches or whatever
23 it may be. I think it's important to the integrity
24 of all public office. I think that's important.

25 CHAIRMAN SWEENEY: I don't deny

1 this at all, I appreciate it.

2 FROM THE FLOOR: Reading through
3 the statute there on page 9, line 25 under the heading
4 income, I see that the gross amount of any pension
5 or annuity including railroad retirement benefits
6 received and of the Federal Social Security Act
7 that is not taxable under the income tax, is it?

8 CHAIRMAN SWEENEY: This is not to
9 be taxed, this is only what deals with the circuit
10 breaker when you're talking about getting a rebate or
11 credit against your tax. All income, whether or not
12 it is taxable, this is your gross income and now it
13 is used to develop how much a credit or rebate you
14 will get under the circuit breaker, but it doesn't
15 necessarily indicate what income will be taxable in
16 the State of New Jersey for state tax purposes.

17 FROM THE FLOOR: Even with that,
18 wouldn't that make a change in dollars and cents if
19 you are going to include social security payments for
20 a man and his wife, senior citizens?

21 CHAIRMAN SWEENEY: It only comes
22 into effect under that circuit breaker or the guaranteed
23 property tax limitation.

24 FROM THE FLOOR: Maybe I'm not
25 familiar with that circuit breaker.

1 CHAIRMAN SWEENEY: That's the
2 tricky part of the program and that's the part we
3 are trying to give as much information on as we can.

4 MR. HOLOVACK: The total school
5 budget would be approximately two billion dollars?

6 CHAIRMAN SWEENEY: This year,
7 2.4 billion dollars.

8 MR. HOLOVACK: The state is picking
9 up 800 million dollars?

10 CHAIRMAN SWEENEY: No, the state
11 previously has 620 some million dollars.

12 MR. HOLOVACK: The state will give
13 full aid to--what is it, 800 and some for education?

14 CHAIRMAN SWEENEY: The state
15 has available for educational purposes roughly 620 million
16 dollars, the total obligations though, is more than that
17 because you have to add into another 550 million dollars.
18 We'll go over that some other time.

19 MR. TRELLING: One thing isn't
20 quite clear to me. For instance, I own a property
21 and I'm paying \$800.00 a year taxes and under this
22 income tax plan I might save \$100.00 in my community
23 on my tax bill, but if I earn \$20,000.00 a year gross,
24 I'm going to have to pay perhaps six or seven per cent
25 in taxes on that, is that right?

1 MR. McCUE: That's incorrect,
2 you're confusing the circuit breaker confusion.
3 You only take into consideration gross income when
4 you're trying to take advantage of the circuit breaker
5 provision. Otherwise, it's federal taxable income.
6 The gross income applies only to whether or not you
7 will get a rebate or a credit on your property tax.

8 MR. TRELLING: Oh, thank you.

9 MR. McCUE: You understand?

10 MR. TRELLING: But this income
11 tax is going to apply to a person's gross income.

12 CHAIRMAN SWEENEY: No, only your
13 federal taxable income.

14 MR. TRELLING: What percentage?

15 CHAIRMAN SWEENEY: Varying.

16 MR. TRELLING: You mean the actual
17 federal tax that you pay?

18 CHAIRMAN SWEENEY: No, but line 48
19 on your federal income tax return is a certain figure
20 that you then go to the tables with. That's the figure
21 that will be used to compute your New Jersey income
22 tax liability.

23 MR. TRELLING: That's the figure
24 after the deductions, allowances and so forth that
25 you're going to pay income tax on?

1 CHAIRMAN SWEENEY: That's correct.

2 MR. McCUE: Another is that if
3 you had a gross income of \$6,000.00, I don't have
4 the figures here, but your maximum tax liability for
5 property taxes would be six per cent of that or
6 \$360.00, that's your maximum property tax liability.

7 CHAIRMAN SWEENEY: And if you
8 are paying \$800.00 in property taxes at that time,
9 all right, then it would be a simple deduction,
10 360 from \$800.00 or \$440.00 credit to you credited
11 against your personal income tax or a check back
12 from the state.

13 MR. TRELLING: Well then, a person
14 earning perhaps \$20,000.00 may have quite a few
15 deductions and he may only have to pay, he may only
16 be eligible for perhaps \$5,000.00 for taxes on--

17 CHAIRMAN SWEENEY: It's conceivable,
18 not the most likely situation but it's conceivable.

19 MR. TRELLING: Well, even \$10,000.00.

20 CHAIRMAN SWEENEY: Yes, if you
21 have 14 children.

22 MR. CHINNICI: Under 18.

23 MR. TRELLING: If he was paying
24 federal tax on \$10,000.00 and his property tax were
25 \$800.00--

1 CHAIRMAN SWEENEY: You'd be
2 entitled to \$100.00 rebate on the circuit breaker.

3 MR. McCUE: If your property
4 tax was \$800.00.

5 CHAIRMAN SWEENEY: Your total
6 liability would be \$700.00.

7 MR. McCUE: Your gross income
8 is \$10,000.00 from all sources, that's just for the
9 circuit breaker, it has nothing to do with the other.

10 CHAIRMAN SWEENEY: Ladies and
11 gentlemen, we want to thank you for your kind
12 attention, your patience and your interest for being
13 here both this afternoon and tonight. If you have
14 any other questions whatsoever, we have got the hotline
15 in Trenton, 609, 292-1700 or you can write or call
16 your local legislator. Thank you very much.

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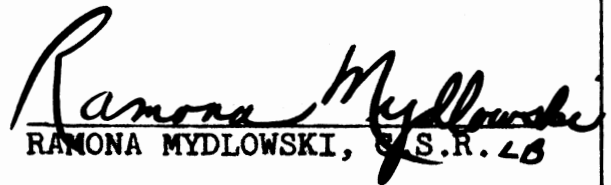
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C E R T I F I C A T I O N

I, RAMONA MYDLOWSKI, a Certified Shorthand
Reporter and Notary Public of New Jersey, do hereby
certify the foregoing to be a true and accurate
transcript of my original stenographic notes taken
at the time and place hereinbefore set forth.


RAMONA MYDLOWSKI, S.R. 48

June 25, 1974

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