P U B L I C H E A R I N G
before
ASSEMBLY TAXATION COMMITTEE
on
Governor's Tax Reform Bills

Held:
June 8, 1972
Assembly Chamber
State House
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Eugene J. Bedell, Chairman
Assemblyman Chester Apy, Vice Chairman
Assemblyman Walter E. Foran
Assemblyman Francis J. Gorman
Assemblyman James J. Mancini
Assemblyman James P. Vreeland

Also:

Senator Joseph P. Merlino
Senator William E. Schluter

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I N D E X

I N D E X

ASSEMBLYMAN CHESTER APY (Vice-Chairman): I'd like to call the public hearing on the tax package of bills to order.

At this point there is with me Assemblyman Gorman on my right; Assemblyman Foran on my left; I am Assemblyman Apy, Vice-Chairman of the Assembly Committee on Taxation. Senator Schluter is here also, somewhere. During the morning we expect that the other members of the Assembly Committee on Taxation and perhaps other members of the Senate will join with us during the course of the hearings. Our schedule is roughly to go from now until approximately 12:30 when we will break for lunch. At 1:30 we will continue until approximately 5:00 or 5:30 at which time we will take a break until 8:00 tonight and we will then continue this evening.

At the outside I'd like to point out that two of the bills which are part of the total package, Assembly bill 1272 and 1287 have been assigned to the Committee on education. That Committee is holding separate hearings, including one today at Glassboro and one on Monday at Trenton State. Anyone who has testimony pertaining to those two particular bills we urge that you appear before the Education Committee. If this is not possible, we will take your testimony here.

In addition to the members of the Legislature who will be present to conduct these hearings, we also have available to us representatives of the Division on Taxation and of the Governor's Counsel's office in the event that technical questions arise which we feel it more appropriate for them to answer and which they are better equipped to answer.

Finally, I would like to point out, as we have done at all of the hearings which we have been conducting around the State, that the purpose of these hearings and of this Committee is to try to analyze

the legislation which has been introduced, to hear the public, to get their reactions, their comments, and their criticisms. By way of contradistinction to our function being that of selling or espousing or condemning a particular program, it is not our role in these hearings, we are not selling for nor are we selling against, we are trying to evaluate as a branch of the Legislature the merits and the shortcomings of the proposed legislation..

I will ask each witness to come forward and testify from the front, to my left. After you have testified, would you please remain to answer any questions which members of the committee may have. If you have a statement prepared in advance, would you please let us have that also.

Mr. Archer Cole of the Coalition for the Reordering of Priorities.

Senator Schluter has joined us here on my far right and Assemblyman Mancini has also joined us. Mr. Cole, good morning. You may now proceed.

A R C H E R C O L E: Mr. Chairman and members of the New JerseyAssembly, my name is Archer Cole and I am the State Chairman of the New Jersey Coalition for the Reordering of Priorities. I am also Assistant to the President of District Three of the International Union of Electrical, Radio and Machine Workers, AFL-CIO and Vice-President of the New Jersey Industrial Union Council, AFL-CIO.

As Chairman of the Coalition, I have, for the past year, participated in a detailed study made by our organization of the tax structure in New Jersey and the urgent need for tax reform of the regressive property tax and the unjust burden it places on wage earners, senior citizens, and lower income groups. As a union official, whose organization covers thousands of New Jersey people, who average under $4.00 an hour,

less than $8,000 a year, I have been impressed with the fact that New Jersey residents in income brackets over $25,000 a year have been escaping their fair share of taxation, while the burden has been borne by members of our union and other working people throughout the State.

When we learn that families earning less than 3,000 a year pay 14.6%, almost 15% of their income for property taxes, while those who earn over $25,000 pay only 3.3%, we can see that something is radically wrong.

A recent survey we made of our members show that their property taxes have been rising at a higher rate than even the spiralling cost-of-living, which today, stands at an all time high in the history of our country.

A large section of our membership rent apartments and have been victimized in many cases by rent gouging, which has hiked their rentals anywhere from 40 - 60% in the last three years. One of the standby excuses used by landlords, who do gauge, has been that these property taxes that they pay have jumped sharply. We say that tax reform is absolutely essential for the tenant, so that once and for all the facts about the proportion of the tax load he is shouldering will be out in the open and proper relief given to the tenant as we give badly needed tax relief to the over burdened home owner.

Our members are also people who are retiring from industry at extremely modest pensions. Many of them for reasons of health, or because of the severe layoffs and unemployment, have been

forced to take early retirement. At this stage of their lives when their income has suddenly plummeted from $8,000 a year to $3,000, they find themselves totally unable to meet the prohibitively high property tax rates of their communities and either have to sell their homes and take their chances in finding a suitable apartment on their limited incomes, or else, pay the annual property tax hikes and relegate themselves to a retirement of poverty and want.

New Jersey has suffered with an average unemployment rate in the past three years of close to 7½%. Thousands of our members are unemployed, today. Their earning power has ceased, but the property tax exacts its toll just as if they were working and earning and in a position to pay.

These are the concerns that I have had and this is what has led me, with the full cooperation of the union organizations I represent, to participate in the New Jersey Coalition for the Reordering of Priorities, and to concentrate on the tax problem this year as our prime project.

In the Coalition, we have other unions, we have civic groups, like the League of Women Voters, we have church groups, Civil Rights groups, and individuals connected with universities and City Administrations.

Speaking about cities leads us to another facet of the property tax, which has acted as a spur to the removal of industry from urban centers and their dispersal into suburban and rural communities. Where this has happened in cities like

Newark, Camden, Jersey City, and others, we have seen a vicious cycle in operation. We have found industries leaving the cities because of extremely high tax rates, thus, causing a loss in ratables, a higher unemployment rate, and resulting mounting welfare costs and other municipal charges. To cope with it, the cities have had to raise their property tax to their present almost confiscatory peaks, which means the further loss of industries, unemployment, and all the attendant ills recited above.

With the property tax as our major source of revenue to finance the education of students in our local school districts, we have seen tax revolts in community after community, as property tax payers make clear their inability to pay additional taxes at a time when our federal government reveals that 40% of U. S. corporations paid no income taxes whatsoever in 1971, when millionaires are able to escape without paying any taxes at all, and when the multi-million dollar oil industry pays an ineffective tax rate of 2 - 3%, a mere fraction of what working people on a weekly wage pay in tax to the U. S. Government.

It should be clear from these facts that 1972 is the time for tax reform. Our Coalition was heartened by the report of the New Jersey Tax Committee, established two years ago by Governor Cahill, which laid bare the regressive and unjust nature of the local property tax structure in New Jersey.

Our conclusions in the tax study, conducted by the Coalition, was that New Jersey should go to a single new tax and that should

be a graduated state income tax with sufficient revenues for a state assumption of the cost of education, and welfare, and a surplus to provide funds for the cities which have low tax revenue yields and high urban costs for police, fire, and the like.

The Coalition in its tax proposal made provision for the recapturing of the huge tax savings, which landlords and corporations would make as a result of property tax reduction. We are also concerned with the plight of the tenant and recommended a rent levelling formula, which would pass along property tax savings of the landlord to the tenant. When the Governor's committee originally reported, we welcomed their recommendation for a statewide income tax, but disagreed with their effective rate of 1 - 7% pointing out that insufficient revenues would be raised, making necessary the raising of funds through new regressive measures, like taking an additional $280 million bite in sales tax revenues from the people, like a $40 million hike in cigarettes, beer and other nuisance taxes, and a new state property tax of $1 per 100 evaluation.

We joined Senator Crabiel in pointing out the tremendous windfall, which would accrue to landlords, corporations, utilities, etc., as a result of the Sears Committee's tax recommendations. We felt that there was only token relief for the tenant and made known our objections, while stressing the need for property tax reform and resort to a broadbase tax in the form of a statewide income tax. That is why we welcomed the report to the legislature of Governor Cahill on May 18, 1972, because we felt that he made many proposals, which will now come before the New Jersey

legislature in the form of concrete bills, to remedy a number of inequities in the Sears Committee's proposals.

Under the Governor's recommendation, the exemption of clothing from sales tax is an extremely important improvement. The restoration of the veterans exemption is to our liking, and very important, the tax relief granted tenants, enabling those who rent to realize in tax saving, 75% of the gains landlords will realize under property tax reduction. This is a tremendous step forward in bringing about tax equity. We notice that the Governor, in responding to Senator Crabiel criticisms, now proposes to recapture $20 million in tax savings from the telephone companies, $9 million from public utilities, $9 million from the insurance companies, $4 million from the banks, as well as a 100% excess gains tax on all business property, with the exception of the cities where a special tax incentive is provided. In addition to reducing the windfall through the above methods, the Governor is continuing the proposal of a $90 million increase in corporation taxes, a $27 million increase in corporate personal property taxes, while reducing certain other business taxes by $21 million.

So, on balance, as a result of the Governor's action, tenants have gained, veterans have gained, senior citizens have gained, and the business windfall reduced to a very high degree.

After analyzing the total package now submitted by Governor Cahill, the Coalition still feels that tax reform will best be served by a 2% - 14% income tax instead of the 1% - 7% rate and the resort to a new statewide property tax.

By eliminating the $1 property tax as proposed by the Governor, the tax structure would reflect even greater savings to the middle and lower income property owner as well as to the tenant.

Nevertheless, there are substantial improvements, which are worthwhile in the package before the legislature.

Under a 40% state average reduction in the property tax, which is now before this legislature, here's what would happen to typical wage earners who are covered by my union.

In Bloomfield, for example, where 2,000 IUE-AFL-CIO members work, the average annual pay of slightly under $8,000 a year, the property tax savings on a home worth $20,000 would come to $308.00. The income tax bite, which our member would have to assume under tax reform as proposed by the Governor, assuming a family of four, would be well under $100 a year, which means a net tax savings of over $200 a year.

Or let's take one of our members living in East Brunswick, who works at the nearby Delco Battery Plant. Average earnings there are around $9,000 a year. The present tax rate is $3.45 per hundred. On a $20,000 home there will also be a savings of around $200 a year after the income tax bite is subtracted.

From these figures, we are convinced that there are significant savings for the working people even though we would like to see a greater tax relief through the 2% to 14% rates.

As far as our members who rent apartments, let's take a typical married man with one child, who starts to work in a

plant in Newark at the General Electric Lamp plant in the Central Ward. His rate of pay is around $7,500 a year. He is paying rent of around $2,000 a year, at least 20% of which is property taxes. Under the legislation now before this legislature, he will receive a tax saving of over $100 a year.

These are tangible benefits for our members, and for the future provide relief from the open-ended property tax increases, which weigh more heavily on them than on those in the $50,000 a year income bracket.

Finally, I believe there will be far greater labor support for the Governor's proposals, if he will remove the three year limitation on the excess gains tax. With this guarantee, tax reform will prove to be of substantial benefit to the working people of this State.

ASSEMBLYMAN APY: Thank you, Mr. Cole. Before we ask any questions I would like to announce to those who have come in since we began that I would appreciate your signing in up here at the desk right in front of us so that we know you are here and so that we can try to take you in the order in which you have signed in.

Does anyone have any questions of Mr. Cole?

I would point out one thing, Mr. Cole, and we have had to do this occasionally as witnesses have testified, the bill 1250, as introduced - which is the Income Tax bill - has a tax schedule of 1% to 14%. You have alluded to 1% to 7% and recommended a 2% to 14%. So the present bill apparently comes somewhat in that direction.

MR. COLE: I think I should correct the statement I made then. I said an effective tax rate of 1% to 7% because the 14% is levied on people, as I understand, on a $500,000 a year income.

ASSEMBLYMAN APY: Right.

MR. COLE: Since there are so few in that upper bracket, we won't get much revenue from them.

ASSEMBLYMAN APY: Right. So you are thinking in terms of an effective rate?

MR. COLE: An effective rate which the Committee has described as one-half of New York rates, which would therefore be one to seven percent.

ASSEMBLYMAN APY: I see. Any other questions, gentelmen?

(no questions)

Thank you very much, Mr. Cole.

Mr. William Shine.

W I L L I A M H. S H I N E: Good morning, Mr. Chairman and members of the Committee. My name is William Shine, I am a resident of Millburn and a partner in the international accounting firm of Price, Waterhouse & Co., with offices in Newark.

I appear here today in my capacity as Chairman of the Cost of Government Committee of the New Jersey State Chamber of Commerce, a business service organization comprised of members representing every segment of the New Jersey business community.

As a business service organization which has long monitored a broad range of developments within the general economic environment of New Jersey, the New Jersey State Chamber must commend the Governor for having taken the initiative in this vital but extremely difficult matter of basic tax revisions by his action in creating and appointing the State Tax Policy Committee.

We must express appreciation, too, to that Committee itself for what we feel is a thorough, conscientious and courageous effort to develop lasting solutions to New Jersey's tax problems which, in many ways, have had a very marked impact upon the general economy. The Committee is to be commended for its decision to take on the "big job" of redesigning New Jersey's

tax structure.

Within the Chamber, a preliminary study of the Tax Policy Committee's tax revision program has been conducted by our Cost of Government Committee, a body which is comprised of tax specialists from some 40 of our member companies. In view of the complex interrelationships between the different measures themselves and their respective impact upon the great variety of business enterprises within the Chamber's general membership, we must characterize our study thus far as being only preliminary. Even if there had been time to complete a full study, it would be impossible to compress all resulting commentary and conclusions within the confines of a single statement such as we are presenting here today.

While we recognize the need for revision of the tax structure of our State, again because of the limitations of time since the introduction of the 59 measures that comprise the Governor's tax program, our comments today of necessity will deal only with conceptual matters affecting business taxes. Moreover, like the Tax Policy Committee itself, the Chamber, for the purposes of this presentation, is refraining from any judgment on the present or future service needs of State or local governments.

As you deliberate upon this most extensive series of bills, we ask that you think of <u>all</u> business enterprises in New Jersey as the major source of livelihood for New Jersey's citizenry and as an essential source of financial support for our State and local governmental endeavors. Business and industry are actually the productive aspects of our society.

They constitute the framework within which our citizens associate themselves for best meeting society's material and service needs.

Government, by contrast, is merely a consumer. It spends taxes on efforts designed to meet public interests or public needs. But only the private sector has the ability to produce the goods and services which make the payment of taxes possible.

We feel that, by and large, business people recognize the need for tax reform. They have become increasingly aware that their enterprises require a healthy social environment in order to function successfully. We are well aware that New Jersey's older cities, under present taxing policies, are in need of massive sums of money for such responsibilities as education of young people and general improvements to the physical environment. New Jersey will not truly prosper as long as significant segments of our population are the victims of substandard educational and vocational opportunities.

We think that the business community of New Jersey has demonstrated rather clearly its sense of social responsibility. Individually and collectively, companies of many different types have undertaken tasks that are in the public interest and never before considered to be within the realm of business responsibilities.

It is important, therefore, that you not overlook the fact that business and industry's ability (a) to meet the basic role of providing productive employment, (b) to provide tax income for government and (c) to accept many new social responsi-

bilities, automatically limit the additional tax burdens which business and industry can effectively bear in the overall best interests of the public.

For anyone in public office, when governmental revenue needs outpace tax income, there is a very natural temptation to place a new or increased tax where it will generate the least voter impact -- upon business. But in the long run, any significant shift of tax burden onto the business community will redound to the disadvantage of those who depend upon business enterprises for jobs, for tax revenues, or for the social responsibilities business is being asked to accept.

This is not to imply in any way that business and industry are unwilling to pay their fair share of the total State and local tax burden. We feel that New Jersey business has paid its fair share in the past and is willing to do so in the future. The governmental services received for taxes paid are an essential part of the socio-economic environment which any business enterprise must have if it is to be successful. But in the complex task of restructuring New Jersey's taxation policies, it is important that you both resist the temptation of short-term expediency and assure the long-term health of our economy by not shifting major segments of the burden onto business. In the long run, the effects of such a move can be debilitating to our entire economy.

We believe it to be of vital interest to the State that its business tax structure remain competitive with those of other states. We are concerned that this would no longer

be the case if the pending business tax proposals were adopted in toto.

You are familiar with the dual and parallel features of the New Jersey Corporation Business Tax -- the net income feature and the net worth feature. Both -- repeat both -- are levied upon each corporation doing business in New Jersey according to a three-factor allocation formula, a formula similar to that used by many other states.

Assembly Bill No. 1253, as you know, would increase the tax rate of the net income feature from the present rate of 5.5% to 7.25%, a 32% increase. This, you will recall, would come on top of the 1.25 percentage point increase in this tax enacted only last month, a 30% increase. Were this new increase to take effect as proposed on January 1, 1974, then the rate of this one tax would have been increased 70% in just two tax years.

But that is only the rate of the one tax. A-1253 also proposes to alter the tax base for both the net income and the net worth taxes, a fact which will, in itself, increase greatly the tax burden on many New Jersey firms. The proposed so-called "throwback" rule, a provision rarely found in the corporation tax laws of eastern industrial states, promises, if adopted along with the rate increase, to subject many New Jersey corporations to substantial increases in tax burden.

Under the proposed "throwback" rule, the State of

New Jersey would depart from its destination concept for the purposes of determining what sales should be allocated to New Jersey.

Under the apportionment formula used to determine the position of a corporation's multi-state income that is subject to New Jersey tax, the legislation proposes that shipments to other states should be treated as New Jersey sales in all instances where the shipper does not have a place of business in the State in which the customer is located. This provision would penalize a corporation having substantial payrolls and capital investment in New Jersey, because the "throwback" of inter-state sales would have the effect of compounding the weight of the payroll and property factors which already reflect New Jersey's claim to the major portion of the income derived from inter-state sales of goods produced in New Jersey.

Although the tendency in State taxation has been to substitute corporate income tax for net worth tax, as previously indicated, New Jersey continues to tax both the net income and net worth of corporations. Based on the revenue raised from the Corporation Business Tax in 1970, it is estimated that if the tax on net worth were to be eliminated, the tax applicable to income would have to be increased by approximately 2 percentage points in order to produce the same amount of tax revenue. Thus, considered in terms of aggregate tax burden, the New Jersey corporation business tax can be viewed as equivalent to a tax on income at the rate of 9 1/4% under the proposed legislation.

According to data presented by the Tax Policy Committee, only three states at the present time tax the income of corporations at a rate in excess of 9 1/4%. While many states may tax capital, it is typically by an alternative or nominal tax. For example, New York State imposes a tax measured by capital at a rate of 1.6 mills but only if that tax exceeds the income tax. Although the New York State Franchise Tax measured by income is applied at the rate of 9%, the New Jersey tax base of many corporations would be significantly larger under the proposed legislation principally because of the "throwback" provision, than it would be in New York. Thus, the actual difference in tax burden would be substantially greater than the difference in tax rates would indicate. Accordingly, New Jersey would lose its competitive position if the corporation tax and other business tax proposals were to be enacted.

The many firms that would be adversely affected by increased business tax burdens (with little or no offsetting property tax relief) would inevitably seek ways to reduce their New Jersey tax burden, with resultant losses to the New Jersey economy. We are not suggesting that these firms would pack up and leave New Jersey, for we do not realistically believe that would be the case. But because New Jersey is a high-cost State in virtually every business economic respect, adversely affected firms could -- and we expect that many would -- cease physical and employment expansion in New Jersey and take the many perfectly legitimate courses of action available to them to minimize their New Jersey tax liability. In this connection it should be recognized that many businesses, particularly those

with national or international operations, can arrange their affairs to minimize State taxes with little operational dislocation. Therefore, New Jersey would lose job opportunities and tax revenue.

We must point out that today it is not enough to compare the business climate of adjoining states in the making of business locational decisions. With today's and tomorrow's transportation and communication facilities, the proximity of headquarters, research and development, financial, raw materials, production and marketing facilities, one with the other and with the firm's markets, is no longer necessary except in the case of a very few industries. These economic facts make it simple for companies to decentralize to the other states that welcome business with an attractive tax structure, with positive development incentives, and generally over-all lower costs of doing business.

It would seem to us that such contraction of business activity in New Jersey -- either by outright removal of facilities or failure to expand -- could have dire consequences for the continuously growing population of our State. We are all aware of instances where businesses have chosen to move to lower cost areas. These moves have adversely affected the New Jersey economy in lost wages both for affected employees and for workers in related business, as well as in loss of retail and wholesale trade, construction, transportation, and in other services.

In the past decade New Jersey has pursued an enlightened policy with respect to the taxation of business. It has not been a low tax policy by any means, as the Tax Policy Committee Report documents. Rather it has been one designed to remove unnecessary impediments to successful business operations. Real property assessment reform; the resolution of the exceedingly complex business personal property tax problem by the exemption of inventories and enactment of a uniform machinery and equipment tax at the State level; and the removal of certain inequities in the corporation tax -- all contributed to the creation of a generally equitable business tax climate. While application of the sales tax to machinery purchases was an unfortunate and harmful aberration, the current proposal to repeal that tax would be encouraging. But the presently proposed structural changes and rate increase in the corporation tax, the 54% increase in the rate of the personal property tax and the application of the 5% sales tax to services largely consumed by business are positively regressive steps and would prove to be damaging over the long run to the State's economy.

Accordingly, we urge that the corporation income tax rate not exceed the new 5.5% level and that the proposed "throwback" rule not be added to the corporation tax structure. If this course is followed, we believe that business will continue to pay its fair share of the total tax burden and the State will retain a business tax system that will be competitive with other states. Under such circumstances, business will be attracted to and flourish in New Jersey, thereby maximizing

its contribution to the economy and revenue for government.

We feel that the reduction in property taxes in the urban communities which might eventuate from the proposed tax revision program would not in itself assure the rebirth of those cities as manufacturing or trade centers as might be inferred from the Tax Policy Committee's Report. For example, the Tax Policy Committee has estimated that if its proposals had been in effect in 1970, the real property tax rate in Newark would have been reduced from $9.19 to $5.27. We think it is unrealistic to expect that such reduction alone would attract new business to the City or encourage businesses that are presently located there to remain. The tax rates of most other municipalities would still be substantially lower than Newark's.

In our view, if tax policy is to be used as a means of attracting new business to urban centers in the State and to retain business already located in such centers, positive incentives in addition to the rate reductions contemplated in the proposed legislation would be required.

Ten years after its enactment the so-called Fox-Lance-Crane Act program of reduced fixed payments rather than high urban property taxes is only now beginning to attract some businesses to Newark. But with substantially and generally reduced property taxes, that program would lose much of its attractiveness. With -- or even without -- enactment of the proposed tax revision program, we urge adoption of a comprehensive program of positive incentives for economic development

of our urban communities. These could take the form of business tax credits or deferments, special amortization for urban investments, training and/or employment subsidies, and such other meaningful inducements as the Legislature's ingenuity can develop. These and other programs - and not merely property tax reduction - are the positive answers to stimulating the rebirth and rebuilding of our cities. If the Legislature believes there to be merit in this approach, we would be glad to assist in the development of such programs.

ASSEMBLYMAN BEDELL: Thank you, Mr. Shine, will you remain seated for a moment in the event there are questions from the Committee?

Assemblyman Vreeland?

ASSEMBLYMAN VREELAND: Mr. Chairman, I just have one question. I gather from the statement here that as the proposal was so constituted that the Chamber of Commerce did not favor it, is that a fair statement?

MR. SHINE: I think that the only thing we are objecting to is the increase in the franchise tax rate.

ASSEMBLYMAN VREELAND: Thank you.

ASSEMBLYMAN BEDELL: Assemblyman Apy?

ASSEMBLYMAN APY: Is it possible, Mr. Shine, for you to estimate what you think, in dollars, the impact of Assembly bill 1253 would be? In other words, what would be the cost?

MR. SHINE: If you were to leave the rate at 5½?

ASSEMBLYMAN APY: If you were to increase it to 7¼. How many dollars would it produce for the State of New Jersey?

MR. SHINE: From what? From the 5½?

ASSEMBLYMAN APY: Yes. Additional money from the 5½.

MR. SHINE: From the existing 5½?

ASSEMBLYMAN APY: Yes.

MR. SHINE: The rate increase would be about somewhere between fifty and sixty million in revenue from what we estimate.

ASSEMBLYMAN APY: Is there any way to put a dollar figure on the ramifications of the throw back rule?

MR. SHINE: No, except to say that I think the consensus of the members of the Chamber is that the revenue effect is substantial, probably substantially greater than the Tax Policy Committee anticipated.

I might say on that, that provision could cause, and will cause I am sure, the larger companies particularly to very easily revamp some of the things they are doing through what we call incremental profit planning. In other words, you have a choice of how you arrange a business transaction, for example, whether you bring goods from Newark or whether you bring them through New York. You determine the cost, the tax effect, and you take the one that gives you the best result to get around it.

ASSEMBLYMAN APY: You say that the throw back provision is rarely found in the corporation tax laws of eastern industrial states.

MR. SHINE: That's right.

ASSEMBLYMAN APY: That's sort of implying, however, that it is found in some. Could you tell us what ones it is found in?

MR. SHINE: California has a semi-throw back role. It also has a lower rate, 7% on income and no tax on net worth. There are approximately 20 states that have some form of throw back at the present time, I believe.

ASSEMBLYMAN APY: What about New York?

MR. SHINE: No.

ASSEMBLYMAN APY: Or Pennsylvania?

MR. SHINE: No.

ASSEMBLYMAN APY: Delaware?

MR. SHINE: No.

ASSEMBLYMAN APY: Connecticut, do you happen to know?

MR. SHINE: I'm not aware of any state east of Ohio that has a throw back. I think Michigan has. I'm not even sure about Ohio.

ASSEMBLYMAN APY: There is in the package of bills the excess gains tax, so called provision, for three years. It is described - the three year time period - as being a time period of testing and evaluation of the impact of the total tax package. In your opinion, is three years a reasonable period of time to do that?

MR. SHINE: Speaking for the Chamber we are not objecting to the throw back, or the recapture provision.

ASSEMBLYMAN APY: In the context that you anticipated ending in three years?

MR. SHINE: We are not objecting to it in terms of an impact as most of the members don't think there is a windfall or that there will be any recapture. We are concerned about the concept of the recapture as leading towards a classification system of property taxation. I think we think three years will show that there has not been a windfall to business as has been alleged.

ASSEMBLYMAN APY: In other words, you are satisfied that the tax program, even without this, would not result in a windfall and therefore that this trial period would merely substantiate that?

MR. SHINE: Yes. To put our position in a little different perspective maybe, it is like the brick wall, there are 59 bills, there are a lot of different pieces to it. We try to center in an Association of 3,600 different businesses and we focused finally on this franchise tax, we object to

all of them individually, I suppose, but if we had to focus on one, it is the franchise tax.

ASSEMBLYMAN APY: No further questions, Mr. Chairman.

ASSEMBLYMAN BEDELL: Assemblyman Foran?

ASSEMBLYMAN FORAN: Sir, has your organization given any thought to the evaluated tax situation?

MR. SHINE: No.

ASSEMBLYMAN FORAN: That is a short answer.

ASSEMBLYMAN BEDELL: Thank you very much, Mr. Shine.

MR. SHINE: Thank you.

ASSEMBLYMAN BEDELL: I would like to bring something to your attention at this time with regards to Committee procedure. We do not want to limit anyone's opportunity to speak. We certainly want to be advised of the viewpoints of all the people in New Jersey on this important legislation. However, we have had the experience, this being our 9th public hearing, of having the same special interest groups come before us on a number of occasions to make the same point.

I might say with regard to special interest groups, reiteration is going to have no affect on this committee. We respectfully ask you, when your designated spokesman for a particular association or industry makes his presentation, unless the speakers - additional speakers - representing that association can make further points or enlighten us further, that you do not take up the public's time with reiterating what has already been said. I say this with-- not in a manner demeaning anyone's right to speak, merely - to cite an example, the dry cleaning industry, the laundry industry, this committee has already heard five or six speakers on previous occasions and we are pretty well aware of the position of that industry. Now I am not limiting anyone's opportunity who wants to

speak here today, but we ask you from the various associations and special interest groups unless you can enlighten further or make further points on the previous speaker's position, representing the same industry, that you do not compel us to hear the reiteration, the continual reiteration, of the same points of view.

The Committee would like to call upon Mr. Douglas Wertzberger, Manager Governmental Affairs Department, Eastern Union County Chamber of Commerce.

(no response)

Mr. James McGowan, Chairman State Affairs Committee, Eastern Union County Chamber of Commerce.

(no response)

Mr. Abraham Solomon, President Local 284, Laundry Workers Union.

A B R A H A M S O L O M O N: My name is Abraham Solomon, I am the president of the Laundry Workers Cleaners and Dyers Union, Local 284, AFL-CIO, located in the State of New Jersey. I am also President of the Bergen County Central Labor and Trades Council, I am 4th International Vice-President of The Laundry Workers International Union.

I have a short statement to read today which is very, very, important as it concerns the working people in the laundry industry in the State of New Jersey. I am appearing here today to speak against removing the laundry and dry cleaning industry from the exemption of the 5% State Sales Tax, as proposed in Assembly Bill 1251, for the following reasons.

In 1967, Local 284 had a membership of approximately 4,800 people. Due to general business conditions over the years, and the innovation of materials not requiring laundering and dry cleaning, we suffered a loss of approximately 2,000 members.

Our membership consists principally of minority, non-skilled, low income employees. The imposition of

the proposed 5% sales tax on laundry services and the dry cleaning industry would, without question, result in the termination of the employment of the members of Local 284.

At the present time the laundry and dry cleaning industry is keeping these low income, unskilled, minority people off the welfare rolls through continuous employment. In view of the present high unemployment rate throughout the State of New Jersey and especially among the minority, low income groups, it becomes increasingly important that their present status of employment be maintained.

Of paramount importance insofar as Local 284 and the dry cleaning industries are concerned, is the fact that the surrounding states of New York and Pennsylvania, as well as New York City, do not have a sales tax on laundry and dry cleaning services.

Furthermore, New York City recently attempted to enact legislation similar to that proposed for the State of New Jersey, and after all of the evidence was produced in hearings conducted by the City Council, the proposal was rejected and there is no sales tax on laundry and dry cleaning in the City of New York.

The passage of the proposed sales tax would be the death blow for laundry and dry cleaning industry in the State of New Jersey. In addition to creating unemployment, a loss of ratables due to the vacating of these plants would be a hardship on the taxpayers in the municipalities in which the plants are located.

That is the end of my statement.

ASSEMBLYMAN BEDELL: Any questions?

Assemblyman Foran?

ASSEMBLYMAN FORAN: Mr. Solomon, in your first sentence of your statement I think you are probably talking about the fact that you are for the

removal, not against the removal. You say, "I am appearing here today to speak against removing--"

MR. SOLOMON: We have the exemption at the present time and the exemption is being removed.

ASSEMBLYMAN FORAN: O.K., thank you.

ASSEMBLYMAN BEDELL: Thank you very much, Mr. Solomon.

MR. SOLOMON: I want to thank you gentlemen for hearing me. It is a pleasure to appear before you and I thank you very much for the time you have given me.

ASSEMBLYMAN BEDELL: We appreciate your being here, sir.

Mr. Kermit Hiller, Vice-President Consolidated Laundries, New York City.

K E R M I T H I L L E R: My name is Kermit Hiller, Vice - President of Consolidated Laundries with plants throughout the State of New Jersey.

The laundry industry is complelled to express the strongest possible opposition to the proposed imposition of a sales tax on laundry services by the State of New Jersey. The laundry industry in the State of New Jersey is a marginal business, employing, for the most part, semi-skilled and unskilled members of the minority groups. Through the collective bargaining process and the efforts of the industry, these wage earners now earn an average hourly income that exceeds $2.25 per hour. The industry, in recent years, has faced the increasing competition of home laundry machines which have made serious inroads in the industry. Now we are faced with the added competition of the synthetic, no-iron permanent press fabric in garments of all sorts; in bed linens and in table linens. These fabrics have made possible the advent of the installation of the so-called home washer units - which are really not sanitary or really effective

and that could be the subject of another discussion - in the commercial customer such as motels, convalescent homes, restaurants, barber shops, etc., causing a further serious erosion in the tonnage on the industry.

The Laundry Industry, as you know, is an exceedingly labor intensive business, with labor accounting for over 50% of the sales dollar! Therefore, the loss of customers to any extent, must make itself immediately felt at the employment level. Were these conditions not enough, the effect of the recession has, in the past six months, brought the laundry business to its most serious position in a generation! I need not, I am sure, recall to you the serious loss of business volume that has been felt in New Jersey by the Laundry Industry's major customers, i.e., the restaurant and food establishments, the hotels and motels and all of the other commercial establishments served by the Industry in the State of New Jersey.

The shrinkage of these markets has further aggravated the situation. The food and hotel customers, feeling the pinch of the recession sharply themselves, have attempted to further eliminate services, such as laundry services, and have increased the number of self-contained do-it-yourself "toy" laundries which create all sorts of health hazards! All of this, at a time when the Industry has been faced with alarm-

ing increases in overhead, such as increases in water rates in the past year and one-half, along with fantastic increases in insurance rates, fuel oil costs, equipment costs, gasoline costs and the like, not to mention increased taxes as part of the new tax program.

To increase the cost of laundry services by the imposition of a sales tax at this time would simply be deteriorating our position by competing with our own customers! It may well be the straw that would start the total and final destruction of the industry! To threaten a sick industry with this tax is like making a demand on a mortally wounded man, that he make a blood bank contribution!

We cannot lose sight of the fact that New Jersey is not an island unto itself. Customers in New Jersey are served by members of the industry who are located in other states.

Our labor cost in New Jersey is higher - our water costs in New Jersey are higher - our taxes in New Jersey are higher - our cost of general overhead in New Jersey is higher. Doing business in New Jersey is simply

much more costly than it is across the river in New York, Delaware, Connecticut or Pennsylvania. Notwithstanding the legality of the situation, it will be a very difficult matter to accurately administer the enforcement and collection of the sales tax from out-of-state laundries. Therefore, a sales tax in New Jersey would simply give these competitors an added advantage, and would result, no doubt, in further loss of business, a loss of revenue, a loss of jobs ... and, I respectfully submit, most probably, an addition to the welfare rolls! Not only will you not collect all of the tax you may now envision, but you may very well force some establishments out of business, lose their taxes, and wind up with more expenditures via swollen welfare rolls.

For all of these reasons, the concern of our industry has turned into a feeling of alarm, at the thought of the consequences that are inevitable, if this proposed tax program becomes a reality.

In our company, for example, we would have to shut down one plant immediately - in which we employ over 150 individuals, most of whom reside in low income areas. These individuals, all members of minority groups, would immediately have to turn to the Welfare Department for assistance.

There are some 5,000 organized employees in this industry, which together with a similar amount who are not members of any union, and who are employed in small laundry and dry cleaning establishments, would ultimately be affected also. The impact on our already staggering relief rolls is frightening.

The importance of jobs and self-respect to the individuals who will be affected by the proposed tax program, far out-shadows the tax gains which the State of New Jersey might realize in the proposed program.

I most urgently, most strongly, most sincerely request, that you do not extend the sales tax to laundry and linen services in the State of New Jersey.

ASSEMBLYMAN BEDELL: Thank you, sir, we appreciate your coming.

Mr. Howard Kauffman, New Jersey Mobile Home Association, Edison, New Jersey.

H O W A R D K A U F F M A N: I am Howard Kauffman a member of the New Jersey Mobilehome Association and representing them here today.

The New Jersey Mobilehome Association is opposed to Assembly bill 1261 to tax mobilehomes as real estate because of the inequities and inconsistencies in the bill. Your attention is directed to the following points:

1. Most mobilehome owners already pay municipal fees in lieu of real estate tax. To further assess these residences as real estate tax when a tax is already in force amounts to double taxation.

2. The present method of financing will be unavailable if mobilehomes are classified as real estate. Under present banking practices, mortgages on mobilehomes will not be available.

3. Recreational vehicles such as travel trailers and tent campers are included in the bill, according to the present wording. These units are not used as

primary dwellings. They are as mobile as the self-propelled units that are excluded in the bill and they are classified as motor vehicles by the State.

4. Under this bill taxes shall be assessed to the owner of the real estate or the mobilehome park operator. This, in effect, makes the park operator a tax collector - a practice unknown in modern administrative practice. This is grossly unfair as there is no control by the park operator over the tax payments.

5. It is unfair to place a lien on the site if the mobilehome owner does not pay his tax. The mobilehome owner does not own the property his home is situated on. The land owner has no control over whether the taxes are paid.

6. If mobilehomes become real estate as this bill recommends, sales tax must be eliminated as no sales tax is paid on real property.

7. Because of road movement necessary, mobilehomes must retain their character as housing that is movable. Changing the tax classification to real estate must not be allowed to hamper mobilehome road movement.

8. If this bill is passed, mobilehome construction must be eliminated from the local building codes to allow this factory type construction. The New Jersey Mobilehome Association endorses suggested state construction standards for mobilehomes - American National Standards Institute A119.1.

9. Mobilehomes are the last vestige of moderate income housing in New Jersey. This added tax burden would be unreasonable for the young married, the retired, widowed and people on fixed incomes. The additional financial burden would eliminate mobilehomes as a housing alternative for too many of the people in this category.

10. The intent of the tax reform is to relieve the burden of taxation from the elderly, low and moderate income families. This bill places an added hardship

on just this group.

Ecnlosed is a survey of mobilehome residents done by Rutgers University. It shows that mobilehome residents are almost exclusively in the income bracket that is to receive relief from the tax reform. They are part of the silent majority who most feel the crush of constantly rising prices on all fronts. (see page 51B)

Because of the inequities and inconsistencies of this bill, the New Jersey Mobilehome Association respectfully requests that you withdraw this bill.

Thank you very much.

ASSEMBLYMAN BEDELL: I might say, sir, that the Committee is acutely aware of what the mobilehome owners feel to be inequities in the proposed legislation, we have taken considerable testimony. We have recognized, even before the public hearings, that the proposed legislation submitted by the Administration left much to be desired from our point of view. We had been working on a piece of legislation affecting mobilehomes, as a Committee, long before the Governor's proposal came before us. The reason we haven't been able to bring that bill out is because of the technical difficulties that you stressed.

I can't say how this legislation will eventually come forth, or if it will come forth at all, but I can assure you that the Committee is acutely aware of the problems you have pointed out so well today and we do intend to effect something reflecting them in a bill.

Any questions?

(no questions)

Thank you very much, sir.

MR. KAUFFMAN: May I add just one thing, sir. Those of us in the Association would be most happy to work with any of you on the Committee for available statistice of the industry or any other information you might need from us.

ASSEMBLYMAN BEDELL: We will make notice, if time

does permit of the time we will schedule for consideration of this legislation so that people that are interested may come before the Committee in Executive Session to help us eliminate the situation. Thank you.

MR. KAUFFMAN: Thank you.

ASSEMBLYMAN BEDELL: Mr. Edward Wasserson, Standard Overall, Irvington, New Jersey

E D W A R D B. W A S S E R S O N: Gentlemen, I will try not to be repetitive and I will try and be brief.

My name is Edward Wasserson and I am President of the New Jersey Association of Rental Launderers.

The New Jersey Association of Rental Launderers is a new group comprised mainly of Laundries specializing in service to commercial and industrial firms. We operate laundry and dry cleaning plants which deliver and pick-up rental items such as work clothing, shop towels, dust mops, entrance rugs and mats, rags, etc. through a large fleet of trucks.

Our members provide extensive employment to unskilled minority groups. Our office and plant workers are mostly female; our driver salesmen are males. Our employees, regardless of sex, for the most part are heads of households.

On the average, for every dollar of volume in our industry, fifty cents is spent on direct labor.

The Rental Launderers oppose any action which would impose a 5% sales tax on their laundry services.

Although we recognize that this tax would be paid by our customers we feel that the net effect would be to substantially cut down our market, reduce our sales volume and as a result cause severe unemployment.

Over the years, unions have fought hard for the provision of work clothing from their employers. Our industry has benefitted from this trend. However, com-

panies in today's competitive markets seek out any and all ways to reduce overhead. Faced with a sales tax price increase our customers and potential customers will resort to several alternatives.

1. Some companies will buy work clothing and give it over to their employees to take home and launder themselves.

2. Larger firms will resort to modern technology and purchase cotton and synthetic blend permanent press garments. They will purchase inexpensive package washing, dry cleaning and steaming equipment and process their own garments. In effect, the customer will become our competitor.

3. Companies will not be as ready to provide work clothing as a fringe benefit to meet union demands when the cost becomes prohibitive.

Any gain in laundry sales tax revenues to the State would, in our opinion, be seriously affected when the dollar volume of our industry group declines. Remember, out of every dollar we take in, fifty cents goes out in wages. If our members' companies cut back on unskilled, minority employees, the State will suffer, the communities will suffer. For example, if my company suffered a 10% loss in sales volume we would be forced to immediately reduce our personnel payroll by 5%. When you multiply this by all of the companies in our industry the problem can be serious. Where can these people go for work in today's economy? Our industry is unique in its ability to make large scale use of these employees.

The financial health of our companies has been severely strained by our lack of ability to pass on the costs of collective bargaining increases; ours is a very price sensitive industry. To superimpose a sales tax on our severely strained industry could cause serious problems.

Neighboring states have seen fit to retain the laundry exemption in their sales tax laws as it relates to our industry. This was done after careful study and analysis. We sincerely hope that our statement and other considerations will cause you to accept and act upon our recommendations.

Thank you for the opportunity to speak.

ASSEMBLYMAN BEDELL: Thank you, sir.

Assemblyman Foran?

ASSEMBLYMAN FORAN: Mr. Wasserson, could you tell me, outside of your stand against A-1251, what your position is on the state income tax and statewide property tax?

MR. WASSERSON: Well I haven't sounded out our membership so I would only be speaking for myself.

ASSEMBLYMAN FORAN: How about yourself?

MR. WASSERSON: I would say that we think a statewide income tax would go a long way toward alleviating some problems you have.

ASSEMBLYMAN FORAN: You are for tax reform in this sense?

MR. WASSERSON: Yes.

ASSEMBLYMAN FORAN: Thank you.

ASSEMBLYMAN BEDELL: Thank you very much, sir.

H. A. Welshons, President, New Jersey Cemetery Association.

H. A. W E L S H O N S: Chairman Bedell and members of the Committee, I appreciate this opportunity to testify in regard to one small element in the massive tax reform proposal which you are considering. While Assembly bill 1270 may be of only peripheral interest to the general public and, indeed, to this Committee, it would have a seriously adverse impact on the reforms accomplished by the New Jersey Cemetery Act which became law only a few months ago.

This law is perhaps the greatest single reform of cemetery practice ever accomplished in New Jersey.

It was designed to cope with a situation in which our society was becoming unable to render a fundamental human service - the maintenance of cemeteries in a dignified, efficient manner.

Increasingly, an overwhelming majority of New Jersey cemeteries were finding themselves without the funds to maintain themselves. When they were established, most of them close to 100 years ago, these cemeteries were not required to make any provision for maintenance funds. Thus after their active development had run its course, these cemeteries found themselves with inadequate maintenance and preservation funds. The new cemetery law requires the cemeteries to set aside such funds where this is still possible. It specifies amounts that must be set aside from the sale price of graves, burial charges and other services.

The law is designed to avoid a condition in which the taxpayers are forced to assume the burden of maintaining or restoring a bankrupt cemetery which has become an eyesore or, indeed, a public nuisance.

At the same time, the law - I'm speaking here of the New Jersey Cemetery Law - says that government will not drain these funds by imposing "personal property taxes, business taxes, sales taxes, income taxes and inheritance taxes" on cemeteries. This is merely an extension of the exemption of cemeteries from real estate taxes first granted in 1851 and incorporated in the 1947 New Jersey Constitution. At the time that exemption was granted, most of the other levies were not in force.

Thus, government in New Jersey for more than a century has said, "We will not impose a tax on death." Last year's New Jersey Cemetery Act maintained that position. A-1270, however, would apply such a death tax.

The tax reform program which you have under

consideration derives its greatest strength from its emphasis on progressive taxation - taxation based on ability to pay. A-1270, however, is wholly out of step with that objective. Its major effect would be to apply a sales tax to all cemetery purchases, the other tax exemptions are of little real consequence. The vast majority of cemeteries operate at a loss or with only marginal income. Yet they would be forced to pay the same sales tax as the most prosperous business in our State. And that sales tax would come from funds otherwise designed for long-term maintenance and preservation.

The benefits of this bill, A-1270, to the State Treasury would be almost meaningless. To the great majority of New Jersey's 1,300 cemeteries, however, their already critical condition would be worse.

Your Committee has many difficult problems in wrestling with the effect on the living of more than 50 bills. We respectfully ask that you eliminate from your consideration, and that of the Legislature, this proposal to impose a series of new taxes on the dead and their families.

You do have the opportunity to rectify another unjust aspect of the existing tax laws as they affect cemeteries. Several years ago, the State Division of Taxation ruled that annual charges assessed for the care of graves where subject to the sales tax. Where grave maintenance is covered by a one-time charge paid with the purchase of cemetery property, the Division held, the sales tax is not payable. Annual charges more often are made in the older cemeteries and thus thousands of families who purchased cemetery space under an older-type plan are further burdened by the state sales tax.

I am certain that the amounts collected by the State Treasury from this source are inconsequential. Your action to extend the sales tax exemption to

annual charges for grave maintenace would be a small but very welcome stroke of tax reform.

Thank you.

ASSEMBLYMAN BEDELL: Sir, for the information of the Committee, I'd like to ask a few questions. I don't want you to assume that I am prejudiced in one direction or another, I am only asking for the Committee's benefit.

Are cemeteries, in the main, profit-making organizatinns? Are they private organizations that are fundamentally profit-making organizations?

MR. WELSHONS: No, 95% of all cemeteries in the state are non-profit associations, I would say more than 95%. To our knowledge, in the whole state you would have maybe 30 or 40 profit-making cemeteries, that is, profit corporations.

ASSEMBLYMAN BEDELL: With regard to those profit-making organizations, don't you think they should be affected by the same legislation that affects other business enterprises?

MR. WELSHONS: I don't think you would get too much argument on that although I happen to have one myself. I have paid, every year, the New Jersey Property Tax, Personal Property Tax, I pay income taxes to the Federal Government on our property and I wouldn't give you too much argument on them.

I am speaking here as spokesman for the 95% that are non-profit and I might point out to you that that 95%, even though we were included in it at the time-- This new Cemetery Law was only passed December 1st exempting us from all these taxes. Now here we turn around five months later--

ASSEMBLYMAN BEDELL: The point I am trying to make is, you do see a distinction as a member--

MR. WELSHONS: I think definitely there is a distinction. Although I might say this to you on

that score, the profit cemeteries in the state are in a very peculiar position. The best illustration would be my own. By court decree, in a case that went to the Supreme Court - the State Supreme Court upheld it - that although we were a profit corporation we had to conduct ourselves as a non-profit corporation and we could not pay a dividend. Now that is my own case that I am telling you about so that while I am in the position that the State of New Jersey collects taxes from me, and the Federal Government collects taxes from me, I cannot operate as a profit corporation, according to the State Supreme Court. I must operate as though I were a non-profit corporation.

ASSEMBLYMAN BEDELL: Another question, sir. If the committee, and eventually the Legislature, were to agree with you, do you think it would be reasonable to assume therefore that cemeteries should not engage in any practices that would be competing with industries that do pay taxes?

MR. WELSHONS: Would you restate that?

ASSEMBLYMAN BEDELL: That the cemeteries then should not-- If we accept your argument let's say, and the Legislature does, and decide to allow you the status you now enjoy, that you would then also not be permitted to engage in any practices or any services that might be rendered by other organizations that are subject to this taxation.

MR. WELSHONS: That is right in the law.

ASSEMBLYMAN BEDELL: I am aware of that.

MR. WELSHONS: The law specifically defines what we are allowed to do and we are not allowed any of the, that we term in the business, the allied functions such as selling a memorial to the family or selling a vault to them, we can't do any of that. That is done by profit-making organizations.

ASSEMBLYMAN BEDELL: Yes, I am aware there

had been some criticism in the past. I think the new cemetery law in the State of New Jersey attempted to rectify the practice of engaging in selling memorials, etc.

MR. WELSHONS: That's all eliminated.

ASSEMBLYMAN BEDELL: I am also apprised, from my mail, that there is still an area in the law which does conflict with other industries, that would be that portion that talks about manufacturing the bases of these monuments.

MR. WELSHONS: That's a technicality. I will cite my own case for instance. In my case we went to court, and that was part of my supreme court decision that I spoke about. They did give us that right, they did say that was definitely a cemetery function and some of the cemeteries have gotten into arguments with some of the monument dealers as to just what a base was. It is a very inconsequential thing. I am sure it isn't worthy of your time. It is a matter of whether a foundation is a foundation if it is the size of the marker and if it has a boarder on it is it then something else they shouldn't manufacture.

If there is any inequity, I am sure that our new cemetery board will recommend some amendments to the law to take care of that. Because I am sure that they are finding as they go along that there are some inequities in the bill, as with all new bills, and they are endeavoring to do remedy that.

ASSEMBLYMAN BEDELL: I appreciate your cooperation, sir. Again I have to play the devil's advocate at times to elicit more information. Thank you.

Mrs. Mary Tanner, Princeton, New Jersey.

M A R Y T A N N E R: Thank you very much for the opportunity to give my opinions this morning. I am Mary Tanner, I represent myself, not the League of Women Voters and I assure you that if I had never heard of the League of Women Voters I would have the

same opinions which I am going to give you this morning. I also represent my husband too.

I suppose I represent the affluent suburban dweller. I have long felt that an income tax is the most equitable method of raising revenue for the support of state government. I come from Vermont, a state which has had an income tax for many years - incidentally a Republican State. Under the proposed tax reform plan our own personal taxes will be increased. Although our property taxes will go down we will pay more in income taxes but that is only fair. My husband and I are horrified to know that we are not paying our fair share of the cost of New Jersey government. People like ourselves who do not buy Lottery tickets, tobacco, or liquor or attend the race track really do very little to support the many services that New Jersey government renders.

I think that the income tax is an essential cornerstone of tax reform. Personally I welcome the opportunity to pay more taxes to New Jersey and a lesser amount to the Federal Government. I think that rural areas, where I live - and suburbs - are going to benefit because the present system encourages urban sprawl and the competitive scramble for rateables among municipalities in a frantic effort to reduce property tax. I see the tax reform as an essential for an intelligent use of our land resources. This will certainly go a long way toward eliminating the excuses for urban sprawl.

Practically every resident of the State, and both political parties agree, that our present tax structure is unjust and inefficient. The Sears report combined with the work of the Governor and his Council have given us the most comprehensive analysis and creative restructuring of the tax system ever to be made in New Jersey.

I think it is essential to work out tax reform this summer. I acknowledge that it is complicated. I think that the Legislature should act without political consideration, making judgement on the basis of fact. I realize the complicated nature of this and I also think that you have made a very good start in making it possible for people to be heard at public hearings and studying this thoroughly. I look forward to a non-partisan, bi-partisan discussion and the enactment of meaningful tax reform with an income tax as a cornerstone this summer. Thank you.

ASSEMBLYMAN BEDELL: Remain seated, please.

The Committee has heard considerable testimony on the merits of a state income tax from the standpoint of a more equitable taxation, progressive.

I'd like to know your personal feelings and perhaps the feelings of the League, if it is possible, on how you square this with the fact that at the present time Congress is looking into the very inequities in the Federal Income Tax, and of course the proposed State Income Tax is going to be essentially a derivative from the Federal Income Tax. How does the equitable argument stand up against the fact that Congress now comes forth and says many of the richer more endowed members of our society are not paying their fair share nor are they paying any taxes at all for income tax. Wouldn't that be true in New Jersey also?

MRS. TANNER: I really haven't followed the Federal situation at all but I am sure that restructuring the Federal taxes in the light of more equitability would be fine and I think that there is certainly no reason for New Jersey not to restructure its taxes in the most equitable manner possible. If, of course, after this is done in the summer and it needed changing in any way, this of course would easily be possible.

I am sorry, I really can't answer that except in the most general terms.

ASSEMBLYMAN BEDELL: That is the question that disturbs us because we find that Congress doesn't find it easy and possible.

You mentioned urban sprawl and this is another consideration that recurs, particularly by those people who are proponents of the tax reform proposal. I'd like to know your opinion on just what effect you think this tax reform will have on the cities, particularly in view of the fact that many of the states throughout our country do have a state income tax, and a property tax, and a sales tax, and are experiencing the very same thing, the exodus of people from the cities. Do you think the reallocation of revenue, sources of revenue, the reallocation of those funds are going to have a marked effect on urban sprawl or do you think it is a manifestation, perhaps, of the contemporary mores of American society?

MRS. TANNER: Well, I agree that this has happened in other states. One could also say, of course that probably the city of Newark is perhaps one of the worst examples in the country. I would hope very much that this would have a good effect on the cities, bringing down the property tax and with the opportunity for site valuation in the cities. Of course I can't say. I think perhaps we can learn from the experience of some other states and avoid making any mistakes that they may have made. I am sure the tax structure isn't the only solution to the problems of the cities but I do think that it is an essential solution, that without an improved tax structure I really don't see how we can make life better for our cities. But I do think it is more complicated than just that.

ASSEMBLYMAN BEDELL: I have one more comment to make and you may comment on it, if you so desire. Those of us in the Legislature and in political life have often heard the theory put forth that we should have the courage of our convictions and not make a political decision. I would like to, as briefly as I can, defend the integrity of this Legislature because we are essentially political people and we spend a good deal of our time during campaign season keeping our ears to the ground determining how the public feels, how they react to certain things, and to try to place ourselves in the best possible light to gain the majority support of those people. If we honestly feel that what the people are saying, whether it is our opinion or not, if we honestly feel that what the people are saying in New Jersey is counter to our desires then I suggest to you that it may not be just a matter of courage. To exist as practicing people in public life you have to respect the will and desires of the citizenry we represent.

MRS. TANNER: Oh yes, I certainly would agree with that and as I said I think you have made an excellent start. I am sure you would also agree with me that citizens can expect a degree of leadership on the part of the Legislators. You are, or course, better informed than the citizens and I think there is a great opportunity for the Legislature to exert some of the highest type of leadership in this whole matter of tax reform. I think, as I say, you have made a great start.

ASSEMBLYMAN BEDELL: One more question comes to mind and I'd like to defer to Assemblyman Foran to pose it.

ASSEMBLYMAN FORAN: Mrs. Tanner, do you think that what this committee has been doing for the last two weeks, and what the newspapers have been trying to

do, do you think the public of New Jersey is being educated as to what this tax package does and the effect it is going to have on them?

MRS. TANNER: I think that you have done extremely well in setting up the hearings throughout the State and that the Governor in his column in the newspapers-- I do think there is an incredible amount of public apathy and I really don't know very much about what to do about it but I think that all the efforts that you have made certainly have made some impact. I really do, I have talked with a number of people who when they realize what the plan is, when they have been given the little pamphlet that is just coming out by the People For Tax Reform, they all say, I really want to know more about it. I do think that people are beginning to get much more aware of it than they were, yes.

ASSEMBLYMAN FORAN: I think that is rather evident in the hearings because the other night this Committee sat in Camden for the first time in that city and we had four people show up. If the apathy is there, people don't understand what we are trying to do and that was the reason I asked. Because yesterday, for example, in Bergen County it was mentioned time and time again, the element of time and why the big rush, etc., as part of the record. I just wanted to know what your opinion was on it and whether or not we are traveling in the right direction or not.

MRS. TANNER: Well, I certainly would think so. I think perhaps the public isn't used to coming to hearings on tax reform, for one thing. It is a new idea. But I do think that the message of tax reform is beginning to get over but it takes a pretty impressive educational effort.

ASSEMBLYMAN FORAN: It certainly does. Thank you very much.

ASSEMBLYMAN BEDELL: One more question, Mrs. Tanner. You are aware of course, you are as familiar as any other citizen is with the Tax Policy Commission report and the proposals of the Governor. You are aware, of course, also that the tables that have been used to give an indication to residents in various parts of the State are vintage '70, '71 figures?

MRS. TANNER: Yes.

ASSEMBLYMAN BEDELL: Now you know the legislation is not intended to be operable until 1974?

MRS. TANNER: Right.

ASSEMBLYMAN BEDELL: Which could conceivably generate some sort of a credibility gap between what the figures were in '70, '71 and what they may be at that time. I'm not going into that but the point I am trying to make is this, would you venture your opinion as a private citizen, or maybe how the League might feel on the 1974 date of implementation? Would you care to say if you think the policies of these proposals, the mechanics of these proposals, should be operative before that time if the need for tax reform is so imperative?

MRS. TANNER: I'm not really in a position to say. If, as the Governor seemed to feel, that it would take that much time to get organized, I think probably 1974 - the first of January - is perfectly acceptable. Perhaps some individual private citizens - I've heard some people mention the fact that perhaps they would like to have that much time to organize their own way of life if necessary and make certain kinds of adjustments to get prepared for all this too.

I would have liked it perhaps, personally, a little bit earlier but I could easily accept January 1, 1974 myself.

ASSEMBLYMAN BEDELL: Thank you very much, Mrs. Tanner, it is a pleasure having you with us.

I'd like to call upon Mr. Morris Beck, Professor of Economics, Rutgers University.

M O R R I S B E C K: Mr. Chairman, members of the Committee. In response to the Chairman's request when I spoke with him several weeks ago, I brought with me today a packet of studies and publications which deal with the New Jersey tax system and have deposited that packet with your assistant. That material represents the result of research that I have done over a period of 20 years into the State local fiscal structure of this State, New Jersey, as well as others.

I also, before turning to my statement, recommend that if members have a copy of the interim report of the local government study commission, a study entitled "Creative Localism, a Prospectus," that they will find in there a great deal of useful material dealing with the matter of shifting functions from local State Government.

In my previous appearance before this Committee I stressed those features of the New Jersey fiscal system dealing with both the tax and expenditure side, which create inequity and hamper economic growth. My comments on both the Committee report and the Governor's plan dealt with three elements. First, the element which will provide this state, for the first time, with a balanced and equitable tax structure, mainly by reducing our dependence on regressive taxes both the property and the sales tax - general sales tax - but the excise taxes as well are regressive because what people pay in proportion to income under these two forms of taxation, decreases as a percentage as income increases. The Governor's Tax Policy Committee's proposal plans to balance this regressive system with a progressive tax, namely the tax on personal income and this would give the State a balanced tax structure.

Secondly, I stress the fact that the new program would equalize the burden of financing public schools and the welfare programs. The former, of course, is virtually required because of the Superior Court decision, even if it is being challenged - or possibly will be challenged. But the latter, the welfare function, is clearly not an appropriate function for local government. New Jersey is one of only about ten states that impose any of the financial burden of welfare on local government and the trend is very clearly toward having the State take over that function and eventually, in my opinion, it ought to be solely a Federal responsibility.

The third and final point which I then stress was that the reform of our tax system and the revision of present responsibilities for these major functions would go far toward lessening fiscal tensions which now exist in our metropolitan areas, tensions between city and suburbs but also between poor and rich municipalities outside the metropolitan areas. The proposal or the report of the Tax Policy Committee as well as the Governor's plan, very wisely adopted a criterion which would help all such high-taxed municipalities to-- which would help ease the tax burden on those municipalities.

As requested, I am submitting copies of various papers that I have done over the years, papers which I believe are pertinent to the work of this Committee and I am also including a preliminary or advanced copy of a study which will not be presented or published until this fall.

The point I would like to stress today is that this fiscal system which we now have places a particularly heavy burden on our major cities which is where the State's low income families are concentrated. And it is this fact, or this point,

which is my particular concern. In the Newark metropolitan area, for example, judging from statistics gathered by a Federal Agency mentioned in that statement, the city of Newark spends about twice as much, per capita, for municipal services as the municipality outside of Newark within its metropolitan area, the suburban areas. This is what is commonly known as the "municipal overburden" and it is found in other parts of the country. But no where is it as severe as it is in the State of New Jersey.

The Governor's plan for tax reform would, in my opinion, if fully implemented, go far toward correcting the inequities of our present fiscal system and it would give these central cities a fighting chance for survival. These cities are now incapable of supplying those services which a city ought to supply - the purely local services - public safety, police and fire protection, sanitation and sewerage, etc. Transfer of school and welfare costs to the State Government, combined with the change in the tax structure which I mentioned previously, would significantly improve the prospects for these central cities and would certainly distribute the burden of financing government much more equitably than is now the case.

Finally, while the views that I have expressed are my own, I have been asked, I wish to note, that the AAUP at Rutgers Newark - American Association of University Professors, endorses the Governor's tax plan and has asked to be associated with the statement just made.

ASSEMBLYMAN VREELAND: Mr. Chairman?

ASSEMBLYMAN BEDELL: Yes, Assemblyman Vreeland.

ASSEMBLYMAN VREELAND: I'd just like to address the professor. Since we have had these hearings we find, and I wonder if you wouldn't agree with us, that in the rural or suburban areas and counties of that nature, that the very fact that you just mentioned,

that this program is designed to help the cities has been very well demonstrated to us by people in the urban or suburban areas of those counties who feel very strongly that they are then really contributing, or giving money, to the cities - their tax money. And this is why I think we have found a great deal of opposition to the proposal in those counties.

The other point I'd like to make, I'd like to mention to you that there is the feeling too that many of the cities have not been run or operated economically, they haven't had good government and therefore they are in the conditions they are today. This was brought out yesterday at a hearing in the city of Clifton, the city manager made it very plain that he opposed the proposal and he made it clear that there is no reason why the cities couldn't be run economically and furnish the services which they do in Clifton.

I just merely mention these points to you. I am sure you are probably aware of these as well as we are but do you have any answers to those questions?

MR. BECK: I have a very firm answer to the mayor of Clifton.

ASSEMBLYMAN VREELAND: Excuse me, it wasn't the mayor, it was the city manager.

MR. BECK: Sorry, the city manager or any other representative of a city like Clifton, a high income, high value community, located between two run-down, deteriorated cities, which serve the low income people of that area. They are not served by the city of Clifton. Wealthy people living in Clifton pay very little as a percentage of their income in the form of property tax, Clifton's tax rate is way down compared with that of Patterson and Passaic. People living in Patterson and Passaic pick up the tab for welfare clients, a small portion of them, for other services - poverty related services - for

the poor of that area, whereas those fortunate enough to be able to buy in Clifton get away with less than their fair share. What I have just said about Clifton applies also to your second point, as I have listed them, namely to the representative of suburbia who, with above average income, pay a very small percentage of that income for the support of government services as compared with their low income counterparts in the central cities. That is the criminal aspect of the tax system of New Jersey. Under our present setup we charge the poor more than we charge the rich. We place heavy burdens on low income families and small burdens on high income families. And many of the people with high incomes are well aware of that and I have talked to many people with incomes in excess, let's say, of $20,000 who are perfectly happy to see a personal income tax come into this State.

May I just answer the final point, the first one that you raised about rural residents? Yes, we have a great deal of rural poverty in this State. The change in the tax system would benefit them fully as much as it would people now consigned to the ghettos of our urban centers. because in our rural areas people pay relatively high taxes for the state and local government services which they receive.

Under this program part of the burden is shifted to the income tax, if their income is low they will not be paying as much as they now pay under the combined property and sales tax. Sorry I took so long but you raised a number of important issues.

ASSEMBLYMAN VREELAND: Thank you.

ASSEMBLYMAN BEDELL: Assemblyman Foran.

ASSEMBLYMAN FORAN: Dr. Beck, while we have you here I want to milk your brains a little bit. With regard to the statewide property tax of one dollar, do you think it is necessary to reevaluate

the cities that have not been reevaluated for property tax value for 20 or 30 years in order to arrive at a more equitable statewide situation? I think you heard me question Mayor Gibson as to when the last time Newark was reevaluated and he wasn't sure, he thought it was probably 1958.

The point I am trying to make is I think something should be done with the cities to bring them on par with the communities that have reevalutated up to 80% or 100% of true valuation. I'd like to have your thoughts on that.

MR. BECK: My response is very definitely, yes. Not only Newark but every other municipality should update its property valuations every two years, in fact I believe it is required by law.

ASSEMBLYMAN FORAN: They get away with it, they are not doing it.

MR. BECK: Now, I would like to see that because I believe that when the reevaluation is finished, when you have completed that reevaluation you would find that the gap between Newark and the rest of the metropolitan areas, the Newarks, Patersons, Trenton, etc., as a state, they would find that they are even worse off than they are now.

I have some statistics in this report that the Musto Commission published dealing with that point. The figures date to 1965 but in my statement I believe I also mentioned that as of 1970 - I believe I failed to read that particular sentence - this is as of the late '60's, the cities tax base per capita with less than half that of the surrounding metropolitan area. I venture to say, without seeing the numbers in front of me, if you used the 1972 rateables, county abstract rateables, that you would find that Newark's tax base per capita, even when it is adjusted for this point that you raised about failure to reevaluate

recently, that Newark's tax base per capita is perhaps closer to 40% of the surrounding metropolitan area.

Yes, sir, I'd like to see reevaluation. I wish the State would take over that function - the assessment function.

ASSEMBLYMAN FORAN: Thank you, doctor.

ASSEMBLYMAN APY: Does anybody else have any questions?

Incidentally, before Assemblyman Vreeland speaks, I'd like to extend the invitation to our fellow legislators who are not members of the Committee - I see Assemblyman Merlino and Assemblywoman Margetts - and I have said to legislators in the past who have been kind enough to come spend time with us at these hearings, you are invited to participate at whatever level you choose. You can come up here and join us and ask questions. You can be a witness in which case you are subjct to questions. Or, you can simply sit and listen to the proceedings. I extend that invitation to both of you.

Senator Schluter?

SENATOR SCHLUTER: Mr. Apy, Senator Merlino is a member of the Senate Appropriations Committee so he is a member here.

ASSEMBLYMAN APY: So he is really up here with us.

SENATOR MERLINO: I am here with you, Assemblyman.

ASSEMBLYMAN APY: Good. So if you have any questions, feel free to go ahead and ask them.

Assemblyman Vreeland?

ASSEMBLYMAN VREELAND: Assemblyman Gorman has some questions.

ASSEMBLYMAN GORMAN: Professor, if I may, one other question comes up quite frequently, in fact we had it before this morning. With the idea that the major thrust of this legislation would be to help the

cities, in other states throughout the country where the income tax has been passed and has been in effect, it doesn't seem to have helped them. They still have the problems with the major cities that we have. I'd appreciate your comments on that thought.

MR. BECK: Yes, sir. The mere introduction of an income tax would not solve this disparity or inequity between residents of central cities and residents of suburban or rural areas. That in itself would not do it but there are other features of the Governor's plan and the Tax Policy Committee's proposal which do deal with that particular problem. In this respect New Jersey is unique. I think this legislation which your are now considering is the most daring ever submitted to a legislature at any time, and I have seen all of the tax policy or reform proposals that have been put out in this country in the last 20 years.

The other states that have adopted an income tax have done it because they felt the sales tax rate was too high, they didn't want to go to 6% or 7%, at that point they turned to an income tax. Also this concern about distribution of the tax burden, one which I feel is extremely important, you just cannot get tax justice without a tax that is graduated according to income level. You cannot do it with even the most progressive or humane sales tax that can be drawn, and the New Jersey sales tax at this time is less regressive than that of other states. You cannot do it with a property tax because the tax must be levied at a uniform rate and by so doing you automatically penalize the poor family and extend favors to the rich, the reverse of the Robin Hood principle. This is what New Jersey has been practicing for years.

ASSEMBLYMAN BEDELL: Does anyone else have any other questions? Assemblyman Mancini?

ASSEMBLYMAN MANCINI: Professor, we heard

many times during our hearings the past two weeks the proponents of a total income tax suggest that it replace the property tax completely. What is your idea on this?

MR. BECK: I've never heard of a total income tax but I gather what the proponents are talking about is a plan to make the income tax stiff enough so that you don't need the others.

ASSEMBLYMAN MANCINI: Yes, excuse me. When I use the word total I mean total support of all municipal services and schools through an income tax. In other words, no property tax whatsoever.

MR. BECK: Just using round numbers, the property tax brings in two billion and I think the sales tax brings in about one-half billion, maybe more now, that is two and one-half billion. To get two and one-half billion out of a personal income tax would mean we would have to abolish the Federal Government, first of all.

ASSEMBLYMAN BEDELL: Some would say that might not be a bad idea, sir.

MR. BECK: Yes, I know what you mean. But then you would have to take over their functions. Defense has an 80 billion dollar budget, not to mention the rest of the 250 billion dollar federal budget. But anyway I don't think it is feasible.

ASSEMBLYMAN MANCINI: Just talk about the State.

MR. BECK: I realize. If you wish to use personal income taxes only or that, plus perhaps a few others - corporate income tax - to support state and local government services, you would need a personal income tax much higher - with rates much higher than New York State. It can be done, it has been proposed. The Physiocrats of the 18th century thought that all taxes ought to be levied on income only or if they are not levied on income the burden eventually falls

on income, which is true in a sense, by the way. Because if you levy the tax on property or sales it has to be paid out of income eventually, out of productivity. If you don't work, if you don't produce, you cannot support government services or private demands. But practically speaking the answer is that it can't be done now.

ASSEMBLYMAN APY: Professor Beck, one of the alternatives also that has been presented to us, and it is in the form of legislation and was urged on us for our consideration as an alternative, is a fixed rate of $2.25, I think is proposed, as a statewide real property tax, meeting the educational need along with the existing amount that we give back. What would your reaction be to that as an alternative to the proposals incorporated in the bills?

MR. BECK: Let me see if I understand this. In place of the present $1.00 proposal, that is 1%? I think that is in the report.

ASSEMBLYMAN APY: Yes, it goes-- It would be statewide. Instead of $1.00 it would be $2.25 but then you wouldn't use the income tax and the other adjustments, you would use it as the basis for education. It would also not include in it the assumption of the county costs and the welfare costs - just pertaining to education. It is Senator Miller's bill, I believe.

MR. BECK: Oh, there is a bill on that?

ASSEMBLYMAN APY: Yes.

MR. BECK: I wasn't aware of that possibility. I think it is an alternative that might be considered. I have my preferences but let me address myself to your question.

Just doing a little mental arithmetic here I believe that 2¼ rate would do the job for education. I believe the first point, the first 1% would bring in eight hundred million so 2¼ would brings in closer

to two billion, would bring in two billion. That would cover educational cost.

Now, I see that as an inferior alternative to the present proposal which relies partly on a statewide property tax and partly on other sources, presumably the personal income tax. First because I believe that we need a graduated income tax to balance this lopsided, regressive tax system that we have. And mind you, a statewide property tax, while it would be better than the present local system would not remove any of the regressivity. A man owning a $10,000 house here in Trenton would still be paying relatively high property taxes compared with his brother-in-law out in the suburbs owning a $20,000 house, Ewing Township, I believe it is, is paying perhaps half as much on that same - well, perhaps even a better house.

So, in answer to your question, unless there are political obstacles, and that I know nothing about - I know nothing about forces that are required to make intelligent political decisions - I personally would prefer the combination of a 1% state property tax and an income tax to the one that you mentioned, a 2¼% state property tax.

ASSEMBLYMAN BEDELL: Thank you. Any other questions?

ASSEMBLYMAN VREELAND: Just one, Mr. Chairman.

ASSEMBLYMAN BEDELL: Assemblyman Vreeland.

ASSEMBLYMAN VREELAND: You know, professor, we have heard alluded to the 40% reduction overall in the State as a real estate tax, but isn't it a fact, wouldn't you say, that this is only an average? In many areas, and we have found this to be the case through these hearings, that there isn't a 40% reduction. In many cases there isn't any. In fact many places are going to pay more. So that when you say it is an average then statewide, maybe some will get more than

40% red ction and others won't get any. Is that right?

MR. BECK: Yes, it is. The 40%, I believe is the arithmetic result of taking this eight hundred million raised by state tax-- I don't know how they arrived at it but it is in the Tax Policy Committee's report somewhere.

Your point is correct, that if it is an average some will get more and others will get less. I cannot conceive of any municipality actually experiencing an increase. That seems impossible, unless it is Teterboro, and if anything Teterboro's rate ought to be quadrupled, multiplied one hundred times.

ASSEMBLYMAN VREELAND: I think, professor, the reason is that the increase would be with the income tax combined.

MR. BECK: Oh, with it combined. Well, as far as that is concerned there was a very interesting table published in the New York Times the day after the Governor's statement was made, I believe, which shows exactly what happens to an individual earning $5,000, $10,000, $20,000, and as I recall the line between those who receive an actual reduction and those who receive, or experience, an increase, is at about 15,000, maybe $20,000. Let's say it is $20,000, all right? Does that seem right, Mr. Bedell?

ASSEMBLYMAN BEDELL: It is the general ball park.

ASSEMBLYMAN APY: Most people have generally taken this 15 to 20 ball park.

MR. BECK: All right, 15 to 20. Now therefore anyone today who lives in a high property tax town and earns less than $15,000 to $20,000, and this would include the bulk of the members of labor unions, would actually fare better. I cannot understand how leaders of responsible labor unions, many of whose members earn $2.00, $3.00 an hour, $150.00 a week, $7,500 a year - the great majority of production

workers who would be clearly better off under the proposed system - I cannot understand how their leaders can say that the proposed system is undesirable, unless they are thinking of their own interests and I imagine they are earning more than $20,000. Now in my opinion they are not speaking in the best interest of their members when they propose to retain this system as against one which includes a graduated income tax.

ASSEMBLYMAN APY: Thank you very much for coming back and joining us again. You are the first one that has been around twice.

MR. BECK: Thank you very much, I hope to be back in 20 years.

ASSEMBLYMAN BEDELL: Mr. William Steward.

Good morning, sir. Good afternoon, excuse me.

W I L L I A M S T E W A R D: Mr. Chairman and Assemblymen, I am here to speak on behalf of the coin laundry and the coin dry cleaning industry and on the deletion of any sales tax applied to them in your proposed bill, 1251.

There are two points that I feel are very important in this respect. One point is, the owners - now I am speaking of the owner of the coin operated laundry or dry cleaning plant - his difficulties and, you might say, inability to collect such a tax. Many of these laundries are open from 16 to 24 hours a day, unattended. There is no one in there other than the customer using the equipment. Now if attendants were to be hired, and some laundries do have attendants, but if all laundries were required to hire attendants, probably the cost of this would be in the neighborhood of $15 thousand a year out of the laundry owner's pocket. Now this $15 thousand a year could be more than his take home pay or even more than the laundry is grossing. So it would put the man out of business.

It would definitely affect the industry.

Another choice in collecting this proposed tax would be a penny coin chute. Such a thing is not available. We do not have a penny coin chute that could be incorporated on the machine. Our chutes operate in increments of 5¢, 10¢, 25¢, etc. So to get a penny chute would be a rather costly affair because of the tools and the dyes, the manufacturing of it, and naturally the resale price would be relatively high, particularly if this penny coin chute were to be made available for only a limited area, say one state or whatever it might be.

Also, if such a chute were devised it would mean a complete remodeling of the equipment and I would feel in many cases equipment, even though it is brand new in these laundries today, would have to be extensively remodled by hand to comply with this law. Therefore, that makes it very difficult for the laundry owner to consider spending maybe $100.00 per machine, to remodel that machine, after he has just finished paying for it - the machine itself.

A third system that we have thought about on this would be an honor box. This would be a box which would be placed in the laundry asking the customers, out of their own integrity, honesty, and so forth, to place their pennies, their tax money in that box. Now if these laundries were unattended you could well understand these boxes would never have any money in them, even though the customers did place money in them. It is rather ridiculous, to be very honest with you.

Now these are the three types of systems that we have given consideration to in a number of other states where this has come up. So we feel that it would be extremely difficult to collect this tax on the laundry. The only way it could be done would

be raising the then price by 5¢, and this again would cost a great deal in buying new coin chute equipment for the machines and this would, of course, collect more than the desired tax. So this additional money we might look at as inflation, it would be raising a price.

Now that is one point that we feel is a very difficult one to solve satisfactorily for these people that have invested, in many cases, their life savings in a coin laundry and coin dry cleaning plant - which might represent an investment of anywhere from $20 thousand to $100 thousand in the State of New Jersey. The average coin laundry and coin dry cleaning plant would fall in that category.

The second point that I wish to stress is the type of people that such an increase would affect, whether it be a tax increase or whether it be a "ven" price increase that would collect more than the tax. Who are the people that patronize coin operated laundry and coin operated dry cleaning plants? They are namely the lower income bracket people, the people in the $6,000 a year income bracket and less. Now these are the people, from talks I have heard here this morning, that you seem most concerned with. People whose tax burden you want to lower. Now in this case we would be drastically raising it. Therefore it would seem that it would be unfair and unjust to consider such a tax for the coin operated laundry and dry cleaning industry.

The people also that use our coin laundries in many, many, cases are the elderly people, the empty nester, the people that have moved away from their home and no longer have laundry equipment. Many of these elderly people are not in the best of health. Many of them are living on limited budgets and incomes. They are amongst the lower income group,

this under $6,000 group.

Another group that patronizes our coin laundry stores is the young married group with children. In many cases they are struggling. They are in debt considerably for an automobile, for a home, furniture, they have insurance, they have illness, they have clothing, etc., and the thought of even purchasing home laundry equipment to place in their home is out of the question, theypatronize the coin laundry because the nickle and dime and quarter is much easier to come by than purchasing a four or five or six hundred dollar home washer and dryer. The coin laundry is the most economical and the fastest and most convenient way of laundering clothes. The same is true with dry cleaning. Therefore it is patronized by these young married families with children and by the elderly. It is patronized mainly by all types of people but people that are looking for a bargain, to save money, because they are limited income type people.

Now just in conclusion, I might say that similar proposals have been made in the states - a number of other states, I should say - and the states where the law was amended to exclude the coin operated laundry and dry cleaning industry were namely Georgia, South Dakota, Tennessee, Vermont, Wisconsin, Pennsylvania and Kansas. Pennsylvania and Kansas just last year amended their bills.

There is another group of states where the proposed legislation was amended to delete sales taxes for the coin operated laundry and dry cleaning industry before the law was passed and that list of states is very impressive, California, Connecticut, Florida, Idaho, Illinois, Indiana, Maryland, Massachusetts, Montana, New Hampshire, New York, North Dakota, Ohio, Oregon, Texas, Virginia and Washington, D.C.

Now, if you care to ask me any questions I would be very happy to do my best to answer them. I represent a manufacturer, worldwide manufacturer, of coin operated laundry and dry cleaning machinery and I do cover the entire east coast area.

ASSEMBLYMAN APY: Do you know of any state that does put a sales tax on a coin operated machinery?

MR. STEWARD: There are states that do have a sales tax and states where the sales tax is included in self-service laundry and dry cleaning receipts: Arizona, Iowa, North Carolina, South Carolina, Utah, Washington, West Virginia and Lousiana. This was done through proposed legislation and in each case programs are now under way for the removal of this tax liability since it cannot be collected from the customer. I think another gentleman here this morning will go into more detail on that particular point.

ASSEMBLYMAN APY: Thank you, sir. Anybody have any further questions?

Thank you very much, Mr. Steward.

MR. STEWARD: Thank you very much.

ASSEMBLYMAN APY: Mr. Henry Schwellenbach.

H E N R Y S C H W E L L E N B A C H: Mr. Chairman, gentlemen, I am Henry Schwellenbach of Princeton Junction. I am Secretary and Executive Director of the New Jersey Crushed Stone Association, a trade association representing the quarry industry in our state. I have held this position since the formation of the association some 2½ years ago. Prior to that time I was active in the crushed stone and mining industry for more than 30 years.

I wish to speak in opposition to the proposed amendment to the New Jersey sales and use tax, 54:32B section 8 (t) that is being considered in Assembly bill 1251. Since the adoption of the sales and use tax act, section 8 (t) has exempted from the tax materials

such as chemicals or catalysts used to induce or cause a refining or chemical process where such materials are an integral or essential part of the processing operation but do not become a component part of the finished product. A typical example of the application of this exemption was the use of explosives in quarrying stone. The explosive does not wind up as a component part of the aggregate, which is the finished product, but it is certainly essential to the quarrying operation, which is a refining process. Accordingly, explosives, when used for quarrying, are exempt from the sales tax under Section 18. Now this was confirmed within the last year by a decision of the State Division of Tax Appeals involving that very point.

The proposed amendment provides the exemption granted in this sub-section (t) shall not apply to chemicals and catalysts with a useful life of one year or less. This change would eliminate the exemption of explosives. So far as I can judge, it would eventually emasculate the exemption for even catalysts which have some reuse but seldom last for a year.

Now the exemption as originally written was closely related to the basic philosophy that only one tax should be collected upon goods which are processed or manufactured in New Jersey. Accordingly, all materials acquired for resale as a component part of a product produced for sale by the purchaser are not subject to the tax. This is in Section 2 (e) 1. In other words, the act did not reach or tax both the component materials in the finished product. Instead, it was only the end product which was taxed. The object, of course, was to avoid multiplication of the sales tax on the same goods which could only have the result of putting New Jersey manufacturers under a competitive handicap with manufacturing or processing operations in neighboring states.

In logic and economic fact it was just as essential to exempt materials consumed in the manufacturing or processing operation as it was to exempt material which wound up as the identifiable components of the end product. Accordingly, section 8 (t) was adopted to complement section 2 (e) 1.

The proposed amendment would eliminate the symmetry and subject New Jersey goods to double taxation, once on the end product and again on the materials consumed in the manufacture of that product. Not only would this undercut the fundamental policy of the act, it would place New Jersey producers at a competitive disadvantage. It would unreasonably inflate the cost of doing business in New Jersey. It would increase the price of crushed stone. Ironically the burden would fall very largely on the State and local governments, for their highway and building programs are the principal outlet for New Jersey aggregate.

I submit to you that the proposed amendment should not be adopted. Gentlemen, I am sure I will have a great deal of company in protesting any reversal of the sound, well conceived, well balanced, New Jersey sales tax philosophy against double taxation of New Jersey produced goods through a tax of any kind on what goes into those goods. I thank you.

ASSEMBLYMAN APY: Mr. Schwellenbach, I have been looking for you for about a month, since I first read this section in the bill, and I couldn't figure out what the duce they were talking about. Now I know what they are talking about a little bit.

Let me ask you a couple of further questions. It refers to both chemicals and catalysts. You referred to explosives. Can you give me any indication of - in layman's terms - other types of things that are covered by this particular section?

MR. SCHWELLENBACH: Yes, I believe so. I would believe that in the petroleum industry they use a number of catalysts in the refining of petroleum, or the cracking of petroleum, as they speak of it.

ASSEMBLYMAN APY: As far as you understand it, almost all of them would have a useful life of under a year, so that therefore to say that the exemption still applies to those having a useful life of over a year would be meaningless?

MR. SCHWELLENBACH: That's what I believe, yes. I am sure there are some that last for more than a year. A catalyst I know of in my high school chemistry and college chemistry consists sometimes of platinum and gold and they certainly last more than a year to some extent. But most of the chemicals in catalysts would have a life of less than one year.

ASSEMBLYMAN APY: Would you have any way of knowing from your industry how much revenue might be raised by this particular removal of an exemption?

MR. SCHWELLENBACH: To the State?

ASSEMBLYMAN APY: Yes.

MR. SCHWELLENBACH: Practically infinitesimal - but to our industry it is quite a burden.

ASSEMBLYMAN APY: Does anybody have any other questions?

(no questions)

Thank you very much, sir.

ASSEMBLYMAN BEDELL: The Committee would like to call upon Mr. Ward Gill, National Automatic Laundry and Cleaning Council.

W I L L I A M J. S M I T H: Mr. Chairman, members of the Committee, my name is William J. Smith, I am representing Mr. Ward Gill. Mr. Gill is the President of the National Automatic Laundry and Cleaning Council, with headquarters in Chicago. I am a member of his staff with responsibility toward legislative matters.

May I ask the permission of the Committee, just for a second, to go back up and get some papers? I wasn't anticipating the call at this moment and I just want to refer to one of my papers, please.

ASSEMBLYMAN BEDELL: May I call another witness in your absence? I will put you on as soon as you come back, sir.

Mr. Tom Regan, Associated Bakery Services, New York City.

(Mr. Smith returns)

You may proceed, Mr. Smith.

MR. SMITH: Thank you, Mr. Chairman, and I apologize again for the delay.

Gentlemen, I have presented to the clerk this morning enough copies of the statement that I was prepared, and am prepared, to make and discuss with you. One of our speakers, a member of our Association, Mr. Steward, has just proceeded me and Bill has touched on several points relating to Assembly bill 1251.

It is the basic position of the coin operated laundry and dry cleaning industry that the present sales, or the proposed sales and use tax law unjustly discriminates against an isolated segment of small business - the coin-op laundry and drycleaning businessman - and we ask for nothing more nor less than equal consideration and fair treatment under the law. The coin operated laundry owner is unjustly discriminated against unde the proposed tax law for five basic reasons:

He pays a tax the law intended to be paid by the customer. Thus, the tax is not a sales tax but in his case a gross receipts tax.

He will be paying a tax at a rate greatly in excess of 5%. My statement, by the way, says 6% and that should be amended to 5% - that was an overlook on my part.

His position is unique because application of the sales tax law affects no other business in the

same way as it does his.

A coin operated store owner not only absorbs, or will absorb, the sales tax intended to be paid by another, but because of his unique operation he actually absorbs a double sales tax, whereas the law intended that he bear no sales tax at all.

He has no reasonable or practical solution to the problem except through legislation.

ASSEMBLYMAN BEDELL: May I say, Mr. Smith, we do have your statement. I notice that it is rather voluminous--

MR. SMITH: I am not going to go through it.

ASSEMBLYMAN BEDELL: Thank you, sir. It will be included in the record and made available to all of the Legislators and the Executive Department.

(see page 59B)

MR. SMITH: Chairman Bedell, I have evidence to support our argument that Mr. Steward so ably covered this morning, that my people who operate coin launderies - and by the way, this affects car washes also - have no practical method of collecting the proposed tax. As part of my evidence this morning I have a coin box assembly unit that I would like to submit to the Committee for your examination to determine the impracticability of submitting pennies into this thing. We will leave this with the clerk for you people to examine.

In connection with that, there is no device on the market today that will accept pennies in coin-operated or car-wash units. It is not made in the United States.

ASSEMBLYMAN APY: Would your problem be any different than that of the cigarette machine people?

MR. SMITH: Yes, it would be. In my statement--

ASSEMBLYMAN APY: You pointed out in here that it is different?

MR. SMITH: Yes, sir, it sure is.

ASSEMBLYMAN APY: Thank you.

MR. SMITH: Just briefly on that, the vendor has the ability to adjust the size of the produce that is coming through the vending machine in essence. So a dime candy bar is possibly worth, say, 5¢ or 4¢ or whatever the case may be, so he is able to absorb and pay a tax in that respect.

Our laundry industry, and I might point out as part of my testimony here this morning, has recently been cited by the President of the United States as an industry that has been, over the past 10 years, fighting inflation. Ten years ago, the price per pound of laundry in a commercial coin operated laundry and dry cleaning establishment was 2½¢ per pound. Today the same price prevails. What has occurred is that the equipment has gone up in size but we are accepting more poundage. The cost of 35¢ for that washer load works out to 2½¢ per load.

Other aspects in this, that Mr. Steward pointed out and I want to reiterate, is the honor system. In the State of Kansas, for instance, this was attempted before the legislators, in their wisdom, saw fit to amend the sales tax, as far as coin operated laundry, dry cleaners and car washes were concerned. It obviously proved impractical.

A question was asked of Mr. Steward about a state where the sales tax is now being paid. There is one state in the Union that we have not challenged, and at this particular time have no intentions of challenging, and that is in the State of Mississippi, where a sales tax is applicable. Other states beginning with Arizona, which Mr. Steward referred to, are all being considered by the legislators in those states for exemption of coin operated launderies, dry cleaners and car washes from this tax. The State of Arizona has already approved that and they are

exempt. The others we are working on at this moment.

Mr. Steward touched on the inability of our people to collect this tax. He has also wisely expressed to you the type of people that come into coin operated launderies and use our facilities. Another point, many of the owners of these establishments in the State of New Jersey are people who have retired from other businesses. They have devoted life savings into their existing business of operating coin operated launderies or car washes. Their inability to pay this tax themselves, or collect it, is going to produce for them a considerable hardship.

So, we strongly appeal to the wisdom of this committee to continue the exemption already existing in the State of New Jersey and which exists in the surrounding states, as part of 1251.

Thank you.

ASSEMBLYMAN BEDELL: Thank you very much, sir. Any questions?

ASSEMBLYMAN FORAN: You are about the 9th one.

MR. SMITH: Well, Mr. Foran, I was hoping I'd get a question from you. You have been very active with your questions this morning and I was looking forward to it.

ASSEMBLYMAN BEDELL: Well, we will be looking this up in an attempt to find out what Kansas attempted to do and how it failed and how Mississippi is handling this, so your testimony was germane to the subject matter.

MR. SMITH: Right. And again, I did'nt make specific reference to this because I think you gentlemen are probably well aware of it, but the State of Pennsylvania, 7 years ago, enacted the sales tax for coin operated launderies. Considerable negotiations, so to speak, have been going on for a period of 7 years and it took this long until the sales tax was removed and exempt from laundry and dry cleaning establishments.

Pennsylvania today does not have what we are proposing here today. So, there are plenty of examples around, and as I say, as more and more of the problems become known to governing bodies that are involved in these things, an attempt is made to be equitable on it. Any assistance that our association and members here in New Jersey might give you - there are over 1,000 coin-op stores and car wash establishments already in existence here - we certainly would be happy to.

ASSEMBLYMAN BEDELL: Thank you very much, Mr. Smith.

The Committee will now recess until one-thirty and reconvene in this chamber.

(Recess for Lunch)

Afternoon Session

ASSEMBLYMAN BEDELL: The Legislative Public Hearing on the tax proposals before the people of New Jersey is again in order.

Is there anyone present who was not here this morning? I see there are not many, if any, so I won't have to go through the ground rules again. I assume most of you were here and know what we are doing. I would just mention the fact if anyone wishes to speak, will they please see our Legislative Aide, Mr. Peter McHugh, seated right here, to get a ticket so we know who you are and what organization you represent.

If he is present, I would like to call upon Mr. Augustus Nasmith, Associated Railroads of New Jersey. (Not present.)

Mr. William Becker, Comptroller, Automatic Laundry and Dry Cleaning Association.

W I L L I A M B E C K E R: Mr. Chairman and members of this Committee: My name is William Becker of Harvey Cedars, New Jersey. I am employed by Best Equipment Company, a distributor of laundry and dry cleaning machinery for the southern half of New Jersey. I want to thank you for this opportunity to speak in favor of retaining the present exemption on the sales tax for laundry and dry cleaning.

I do want to refrain from any redundancy. I am going to confine my comments to a few points possibly a little bit technical in nature and if there are any questions to be asked, I will be glad to clarify them.

One of the previous speakers, Mr. Smith, has explained the difficulty in obtaining coin equipment that would collect a tax should it be imposed on this type of service. Mr. Steward has explained how difficult it would be to actually get this money. The result is that in those states where such a tax has been imposed, it has ended up with the operator being forced to pay this tax in effect out of his own income. This then is not a tax on the user but an additional expense on the owner. This is not the intent of the law.

I respectfully submit that any legislation that is self-defeating is not good legislation.

These operators presently are being squeezed by inflation. They have increased costs of rentals, increased costs for utilities, water costs have gone up fantastically, increased costs of labor for maintenance of the store and equipment, increased cost of supplies, increased costs reflected by the increase in the imposition actually of sales tax on equipment that he has to purchase and utilities that he has to purchase to provide the service to his customers. This tax presents one more financial burden on him.

The only alternative he would have with these increased costs would be to raise his vending price to the next successive coin-metering device available to him. So, in effect, a 5 per cent sales tax could become an increase of anywhere from 20 to 80 per cent in the selling price of the service.

Gentlemen, from the comments I heard here earlier this morning, the primary purpose of the present tax legislation is to effect a more equitable distribution of this tax burden. We want to keep the poor people, the people who can least afford this thing, from paying an unfair share of this tax. Yet if we are going to raise the day-to-day living cost of these people, we haven't helped them one iota.

Mr. Smith, I believe, mentioned to you that on the average, coin operators today can provide these services of laundering to their customers for the same price that was charged in 1962. In terms of the general inflation picture, this is a very remarkable job. But we are going to need your cooperation if we are going to continue to do so.

I certainly urge retention of the exemptions presently placed on laundry and dry cleaning services. Thank you.

ASSEMBLYMAN BEDELL: Thank you, sir.

Mr. Vincent Visceglia, Federal Warehouses, Newark, New Jersey.

V I N C E N T V I S C E G L I A: Mr. Chairman and

gentlemen, I am pleased to have an opportunity to speak to you on this tax matter.

My name is Vincent Visceglia. I am Executive Vice President of Federal Warehouses in Newark, New Jersey.

We have many buildings that we rent to tenants, also to companies for whom we do warehousing work and we are one of the largest taxpayers in the City of Newark and the State of New Jersey.

First of all, I would like to make a general statement that this tax reform that the Governor is advocating as a whole is highly acceptable to us. This morning I received also an acceptance from the Chamber of Commerce of Newark, of which I am one of the Directors, that with few exceptions, as a whole, they enthusiastically approve the plan of tax changes.

I feel that you legislators have no alternative but to go along with the Governor by and large on this package of taxes. We find that the municipalities are in a strait jacket. They have expenses which increase daily, from year to year. They have tremendous pressures from Boards of Education, from the police, from the firemen, from various services and utilities that provide services in the city. They cannot help themselves. They have to have more money.

We find also that the present system in New Jersey especially of getting the bulk of money for running the State and the cities from property is coming to a point that it is impossible. The pressure is too much. It is actually confiscating now the way the tax is going at the present rate. The Governor says that there will be a revolt by the taxpayers. That may well be.

I think, with all due respect to you legislators, many of you and the general public do not know the full extent of the problem. I had the opportunity to listen to Senator Sears on various presentations. I have studied the matter. I am a large taxpayer. I don't like income tax,

etc., etc., but I feel this is a necessity. As much as I was against income tax for years personally - I am naturally in a higher bracket - I feel it is a necessity. We cannot get the money to run our cities any more by confiscating taxes to real estate, to homes and to buildings.

I do realize now that the suburbs with the new setup is such that they are going to contribute to maintaining the large cities. Whether we like it or not - and I live in Short Hills, a suburb - we have to be reconciled to the fact that we have to help the cities, directly or indirectly. With this package of taxes, this is done automatically because the income tax, for instance, goes as high as 14 per cent for those who could afford to pay. It is graduated, but there is the relief for taxes. Not only that, but the beauty of the plan is that once and for all we put a limit on how much tax we are going to get from property. It is limited to $1 for the State and about $1.50 for the city. So once and for all we have a ceiling. The money has to come from other sources. I am not saying here there is going to be a saving to a business man or a household owner. That is not the case. It is simply that the present system has to come to an end whether we like it or not. In general, I approve of this.

Now I would like to make some observations where I object to a bill, that is, 1301. To prove my point, we pay in the City of Newark presently $450,000 a year taxes for the same property that we owned ten years ago our tax bill was $230,000. So it has practically doubled.

Let's see the effect of those double taxes and where the money comes from. If we were fully occupied, it would be one thing. But this tax burden has caused vacancies in our buildings for the first time in many years, more and more. The vacancy was 10 per cent in 1969, 15 per cent in 1970, and it is about 40 per cent in 1972. When you consider our particular case, which is typical of many other industries, whether they are owned or rented in part or as a whole, the rental of 12 months should be distributed as follows: One

month should be dedicated to vacancies. Ten per cent vacancy in the real estate business is accepted as normal. The tax should take about two to three months. The commission and advertising should take one month of the rental; utilities, maintenance and repairs, three months; interest and depreciation, about two months; and management, one month. That makes a total, gentlemen, of eleven months. So that leaves about one month's rental for income, which is about 10 per cent, which is normal.

What do we have today? We believe that we are good merchants. We have millions of dollars of investment. We believe we know our business. We want to be competitors in the City of Newark. By the way, I want to make an observation here, in the warehousing business we have to compete with the Port of Authority which has millions of square feet of warehousing area, for which they pay no taxes at all. So when you consider we pay from 20 to 30 cents per square foot per year in taxes, we have a definite disadvantage when we begin to rent to other people. But we cannot help that; we have to pay our taxes. With 40 per cent vacancy, what happens if we have not one month of the rent that has disappeared in vacancies, but five months? So at the present time in 1972, instead of working with one month's profit, which is 10 per cent, we are working with four months minus. Because we were making one month's profit; now we have five months' vacancies to the one. So how long can we go at this rate? How long can we go having these vacancies?

No one can say that we are poor businessmen because the situation is the same with others. In our case, we use very little property for our own use. But take people who have factories or use the building for their own purpose, like Ballentine's, for instance, who were paying $1 million a year taxes. They could not stand that tremendous burden any longer and they decided to close down. Twenty-five hundred people were sent home. Just imagine, gentlemen, how many buildings they had, what a tremendous investment Ballentine's had

in the City of Newark to pay $1 million in taxes. Imagine how much machinery they had in their brewery. They abandoned everything. They sacrificed everything. They walked out. They could not help it.

I have a list of about 100 tenants we lost in the last four or five years. If you gentlemen want it, I will send you a copy. These are tenants that we lost, notwithstanding the fact that we were willing to reduce the rent. There are no takers. Not only that, if you have a store, you know what happens - they break the windows, they remove the plumbing, etc. But if it is vacant and you no longer have a tenant, you have not only lost the tenant but you cannot rerent immediately because you have to replace the utilities inside. But aside from that, industry does not want to come to New Jersey by and large. We lose them. Not only do we lose them from Newark and they go to the suburbs - because we have properties in Elizabeth - we have property in Bloomfield - we have property in East Orange -- The problem is the same - not as bad as Newark, but it is the same. Not only do they move to other cities and towns in the State, but they move out of the State, gentlemen, and out of the country because of taxes.

We deal primarily with national companies who reside in other states. When they send a representative to see us, to visit our properties, one of the questions they ask is: "What about the taxes in New Jersey? I understand that they are prohibitive." What can we tell them? We cannot lie. We cannot say, "They're not so bad."

Another thing, up to two or three years ago, we were paying the taxes all by ourselves, the increases. But when we found out we could not carry the load, we began to put in the lease a condition by which the present rental was based on this year's taxes; and if in fact the taxes increase, you the tenant are going to pay for a proportionate amount of the increase. And, of course, if there is a decrease, which up to now is a joke, you will get the reduction. So what

happened? In the last two or three years, by necessity, not because we like to lose the tenant, they pay us the rent and pay the additional increase of the taxes. And this contributes more and more at the end of the lease - they take short terms anyhow - to their giving us notice.

We have a beautiful building on Elizabeth Avenue in Newark, where the Hotpoint Division of General Electric is - as I told you gentlemen, we deal mostly with national concerns.- 125,000 square feet of beautiful space on the first floor; they give us notice now two years prior to the expiration, saying, "Mr. Visceglia, see if you can rent the place to others because we are going to move out of Newark." One of the reasons, because the rent is the same - we didn't change the rent - is that they participate in the taxes.

The Governor in yesterday's paper said the same thing in a different manner: "Look around any big city. See the vacant stores and the empty lots. Look at the 'for sale' signs and the boarded-up windows. Ask yourself why. The tax is almost confiscatory. The burden of those taxes forces residents and business to flee to the suburbs and other parts of the State." Then he mentions about Ballentine's. It says here that in Newark the rate is $9.03 per hundred dollars of assessed value. It is so high. It is $9 now and it was only $5.97 in 1966.

Now there have been statements made that there is a windfall for business men. I don't see where. It is really a mistake. It is wrong. It is an injustice. There are various types of property.

If I am too long, gentlemen, I will cut this short. I don't want to impose upon you.

ASSEMBLYMAN FORAN: You have the mike.

MR. VISCEGLIA: Thank you.

There are various types of property. You have farmland that only pays 1 per cent of the tax in the State. That is all right. Then we have the single-family home. We don't

have any single-family homes except our personal ones. But single-family homes are hard hit by the tax. Because they have no way of distributing the load of the tax to anyone else. They have to pay. They are employed and they have to pay this high tax which has doubled in the last ten years. Then we have the two-family house or multi-family house or apartment house. While they are burdened by the high taxes, at least they can rent the second floor in a two-family house or an apartment house and collect beautiful rentals which helps them, let's say, counteract the high taxes they pay.

The commercial properties, the industrial properties, have no way of distributing this load to anyone. Because if they use the property themselves, where are they going to get the additional money to pay double the tax? If they lease to somebody else and the tenants participate, it is another way of sending the tenant out. The best proof is this, that there are no vacancies, or practically none, in the residential field. But there are many, many vacancies, gentlemen, in stores, in commercial properties, in business properties and industrial properties. And when an empty building is abandoned for a month or two, it is only a matter of days or weeks that the windows are going to begin to be broken. Then vandals come in. Eventually that property is going to be abandoned and removed from the tax roll.

We don't need special treatment here. What I am against is 1301, which says in effect that this change of tax burden, which is going to be shifted from being primarily on property, is going to be shifted to income, additional corporation tax and all the other taxes that you gentlemen propose -- now that is fine -- but then they say, on the commercial property and industrial property, the differential in taxes you are going to give back to the State or back to the town. So the owner of commercial property will find himself in the same hole, in the same jam, that he is today. And since we are against classifying property because it is against the Constitution of the State of New Jersey, since

we must treat all owners of property equally, why make an exception to the commercial and industrial who are the biggest suffers in this case and, of course, as I mentioned before, the owner of a one-family house is going to retain the benefit of that.

So, in conclusion, I am in favor of the whole package, except I believe 1301 should be abolished altogether. It is discriminatory, punishing the commercial and industrial property owners for no reason at all. It is against the best interests of the State of New Jersey because, gentlemen, let's face it, when a building is vacant, employment suffers, the relief rolls become greater. Therefore, I think it is for the best interest of the citizens of the State of New Jersey to keep employment. When you have employment, the men go to work, there is less vice, less idleness. People would rather go to work than be idle. If we have these buildings occupied, there is employment. But if there are vacancies, the loss is great from all points of view. So I highly recommend to you gentlemen that you remove 1301 altogether and we go along with the rest of the package.

Thank you very much for the opportunity to speak and if you have any questions, I am here at your service.

ASSEMBLYMAN BEDELL: I am going to ask you a question that has recurred throughout the hearings and I would like to get an expression of your opinion. You mentioned - and I don't want to quote you incorrectly - something to the effect that the cities must have more money.

MR. VISCEGLIA: Yes, sir.

ASSEMBLYMAN BEDELL: Do you think that that is the answer to the problem in the cities - that's the panacea of all the problems in the city - the money?

MR. VISCEGLIA: Well, they have to render these services. If we don't make any change, what is going to happen? There are the salaries of the teachers, money to run the schools, fuel, heat, services, policemen, firemen, hospitals, the courts, etc. Everything that the city has in administration

costs more money, just as it costs us in industry. They have to have that money. Of course, I am advocating economy. But how far can you go with economy? You have strikes. You have contracts which come and go. They have to be renewed The pressure is tremendous. What can they do? They have to assess the property owners. They have no other way. But now they have reached the limit. Whereas this package gives another way of letting the money come in to the city because the State will assume the full responsibility for public education, which is good.

ASSEMBLYMAN BEDELL: I am sorry, sir, but they do not. The State does not assume full responsibility.

MR. VISCEGLIA: Well, they are going to contribute quite a bit. As to public education, I thought it was in the bill. Maybe I am mistaken.

ASSEMBLYMAN BEDELL: Not the entire cost, no, sir.

MR. VISCEGLIA: All right, the majority, a good part? It says here ---

ASSEMBLYMAN BEDELL: At the present time the proposal indicates that the State will generate approximately two-thirds of the cost, basing it on 70-71 figures. Whether that will remain constant ---

MR. VISCEGLIA: Two-thirds of the cost, sir, is substantial. Then the Governor recommends the Superior Court, the Sheriff's Office and the Prosecutor's Office, and relief and many other of these burdens, and then they put a limit on the real estate tax. So the cities will receive the same money but they will not be compelled to actually confiscate the one-family houses who are the sufferers here, and the commercial and industrial properties because that affects employment.

ASSEMBLYMAN BEDELL: Sir, - and again this is an expression of opinion - the State naturally will not manufacture the money. The money will come from other areas.

MR. VISCEGLIA: Right.

ASSEMBLYMAN BEDELL: In other words, you are advocating that people of other areas of the State that are better

endowed should subsidize the cities. Is that what you are saying, sir?

MR. VISCEGLIA: Well, indirectly you do that when you impose upon us income tax.

ASSEMBLYMAN BEDELL: And you advocate this.

MR. VISCEGLIA: Yes. It may cost me personally $10,000 a year income tax. But I know that that is a necessity. Sears was in Short Hills the other night and we were reconciled to the fact.

ASSEMBLYMAN BEDELL: Sir, I am not talking primarily about the assumption of part of the educational cost; I am talking specifically about the block grants that are envisioned to multiply by four the amount of money we are currently giving to the urban centers. In other words, we are now giving in the area of $25 million. This legislation will make $100 million available to the cities. This money will be derived from somewhere, of course, and will be on the taxpayers in the communities that are perhaps better endowed. Do you think that it is fair and proper that the rest of the people should subsidize the cities?

MR. VISCEGLIA: Yes. Whether we like it or not, that's it. In Short Hills, for instance, we pay - I don't know what we pay - but maybe we pay $1,000 per pupil, whereas the poor City of Newark pays $700 and they struggle. In Short Hills, we pay $1,000 per pupil and we pay it very easily because we don't pay one cent in relief. So there is the difference.

ASSEMBLYMAN BIDELL: I am sure you are aware of the fact that to some degree the war and poverty funds that were infused into many of our cities were not put to the use originally intended. In some cases - I don't want to give any percentages - but some of the money was mismanaged. Some of the money could not be accounted for. Would you envision the same kind of a control or the absence of control to be in this legislation giving $100 million in block grants to the hard-pressed cities of New Jersey? Would you advocate

having some more strict manner of controlling these expenditures?

MR. VISCEGLIA: Yes.

ASSEMBLYMAN BEDELL: Are you aware that that control is not in this legislation, sir?

MR. VISCEGLIA: Then I think there should be this control. We don't want any waste. We work hard for the money and we want it well used. We don't go for waste. We want it for good use.

ASSEMBLYMAN BEDELL: Thank you very much.

Assemblyman Vreeland?

ASSEMBLYMAN VREELAND: I was interested in the fact that Mr. Visceglia gave examples of vacancies. As I recall it, you said last year your vacancy rate was 20 per cent and that this year it is 40 per cent. Is that right?

MR. VISCEGLIA: Yes, sir.

ASSEMBLYMAN VREELAND: And you said - and I think I am right when I say this - that this was due to the increase in taxes. Are you saying to this Committee that the taxes increased this year over last year on your buildings 20 per cent?

MR. VISCEGLIA: No, sir. But there is this, sir, that when you increase taxes, the amount of proportionate vacancies is not necessarily in direct proportion. People go along to a certain extent, but then there is the last straw. From last year to this year is another 50 cents a hundred.

ASSEMBLYMAN VREELAND: Let me ask you this: How much did your taxes increase this year on your buildings in Newark?

MR. VISCEGLIA: Well, about 50 cents, which is about 6 or 7 per cent.

ASSEMBLYMAN VREELAND: Isn't it a fact though that the business conditions in general this year are such that a great deal of your vacancies could be laid to that particular reason or could be blamed on that? Can you blame all your vacancies on the increase of this small amount in your taxes?

MR. VISCEGLIA: Well, for the reason that I gave you - up until two or three years ago, we absorbed the additional taxes. But then we saw that we were working for nothing.

Then we began to put in the leases that any increase in taxes henceforth, beginning next year, you, the tenant, are going to participate proportionately on the area that you use. That has become a burden. Whereas it was limited three years ago - it was,let's say, 25 cents - it is now $1.50. That's five times as much. That is where the difference comes in.

ASSEMBLYMAN VREELAND: I think my point here is - and I am familiar with many businesses and many apartments and renting - that this is a common practice, tying the rent to the increase in taxes or decrease, whichever the case may be. I don't think this is unusual really.

MR. VISCEGLIA: With one exception, that in apartments and in multi-family buildings, sir, there is no vacancy. There is 5 per cent vacancy in the State. Whereas, in commercial buildings and industrial, if you walk through any city or even suburb - we have, as I said, property in Bloomfield - we have the General Electric Building alongside the Parkway ---

ASSEMBLYMAN VREELAND: Where?

MR. VISCEGLIA: In Bloomfield and East Orange, the great big building by Associated Book. Well, that building is 700,000 square feet. It used to belong to General Electric. That building is soon going to be 40 per cent vacant. That is a tremendous amount of space.

ASSEMBLYMAN VREELAND: And you say that is all due to the increase in taxes?

MR. VISCEGLIA: Primarily, yes, sir. I know if we have relief in taxes, we will naturally remove that burden from the tenants and we are going to retain those that we have and we are going to invite other people to come in at a lower rental.

ASSEMBLYMAN VREELAND: Thank you.

ASSEMBLYMAN FORAN: Mr. Visceglia, I wonder if you could tell me the last time your warehouses or your property in Newark were re-evaluated up to true value or up to 50 per cent of true value?

MR. VISCEGLIA: I don't know exactly when, but it was not in the last five years. But Bloomfield had a revaluation, East Orange had a revaluation. Many other cities have had revaluations.

ASSEMBLYMAN FORAN: I am talking about Newark, sir. In the testimony of Mayor Gibson, he said that he thought that Newark had been re-evaluated in the early '60's or back in 1958. The question I asked Professor Beck earlier was about the re-evaluation of the cities on a current basis. And if we do implement this Statewide property tax, Newark should be re-evaluated to true value in order to put you on a par with the rest of the State. I just simply asked whether or not you knew the last time your particular properties were re-evaluated up to a parity with the rest of the State or surrounding communities.

MR. VISCEGLIA: It was not in the last five years. It must have been prior thereto. Maybe the Mayor is right.

ASSEMBLYMAN FORAN: Do you have any idea how much land area in the City of Newark is now tax exempt?

MR. VISCEGLIA: If my memory serves me correctly, about one-third or 40 per cent.

ASSEMBLYMAN FORAN: Actually the Mayor testified almost 60 per cent of Newark's property is now tax exempt.

MR. VISCEGLIA: If you include the New York Port Authority, you are right.

ASSEMBLYMAN FORAN: Would you be in favor of the revamping of the formula of tax exempt properties and possibly taxing churches as well as schools, the airport and the New York Port Authority, etc. or would you be in favor of more in lieu of taxes thereof?

MR. VISCEGLIA: Well, I will go along with the Tax Committee recommendation on the State paying some money for utilization of buildings and not for parks, etc. And I would go along with taxing adequately the Port of Authority because they have millions of square feet of warehouses competing with us. But I would not go along with taxing

churches or foundations for the welfare of people, etc.

ASSEMBLYMAN FORAN: In other words, on the record, you would be in favor of taxing the Port Authority property in the City of Newark. Is that correct?

MR. VISCEGLIA: -- for properties which are leased for warehousing purposes, yes.

ASSEMBLYMAN FORAN: I am talking about the whole.

MR. VISCEGLIA: Yes. It's 40 per cent of the land.

ASSEMBLYMAN FORAN: Thank you.

ASSEMBLYMAN GORMAN: Mr. Visceglia, we have had much testimony today similar to yours. You are generally in favor of the package, except for 1301.

MR. VISCEGLIA: Yes.

ASSEMBLYMAN GORMAN: We have had other testimony where people are generally in favor of the package except where it might concern explosives or except where it might concern mobile homes or except where it might concern corporate tax and various other things.

Assuming that this Committee weighed the testimony and felt that all of it was good and we were willing to go along with the people who testified, the financial impact of this would mean that we would have to get millions of dollars somewhere else. In view of the fact that most of the taxes come from either real property, income or sales, would you want to give us your thought as to where we should get it from if we give all these people consideration?

MR. VISCEGLIA: The Committee has given you the various sources of revenue. The main one, I believe, is the income tax. Then you have the one dollar that the State is going to charge on all the properties in the State and you have other increases that the Committee and the Governor recommend.

My exception is very small indeed because he is talking about any differential between the base tax and the current tax, whatever he calls it, which means that if we, in fact, pay now $9.30, whatever it is, and the tax in Newark is reduced to $5 and we pay $2 or $3 more in additional corporation

tax, which makes it, let's say, $7.50, we have to give the other $2 to somebody and we are back with $9 taxes. That to me is discriminatory and is not fair. The differential is so small. It doesn't amount to much.

ASSEMBLYMAN GORMAN: All these differentials may be very small, except when they are added up. If we just take the corporate tax as one feature, this isn't a small one. The bill 1301 isn't a small one. The problem is, if you are going to put a package like this through, you have to have the revenue to balance the spending. If we did give in on all these, we would just like some recommendations - at least I would - as to where we will get this money from to balance it.

MR. VISCEGLIA: It is up to you gentlemen to evaluate. What do you want? Do you want the status quo of commercial and industrial buildings and industry to continue to flee New Jersey and continue unemployment and worsen the situation or do you want to improve the situation? That is what you have to consider. It is up to you gentlemen.

ASSEMBLYMAN BEDELL: Sir, I am not aware of a mass exodus of industry from New Jersey. I am aware of an exodus of industry from the urban centers.

MR. VISCEGLIA: Well, is that part of New Jersey, sir?

ASSEMBLYMAN BEDELL: Yes, sir. I don't think they are going outside of New Jersey. If they are, there is nothing we can do in this tax package to affect that.

MR. VISCEGLIA: But as the Governor says, whatever affects the large urban centers sooner or later will spread to the communities in the suburbs - sooner or later. We are part and parcel of the same community. The City of Newark has a population of 400,000, but during the day we have 800,000. We work there. We spend one-third of our lives there. So we are part and parcel of the city. We cannot run away from it. We are all part of one family. We have to consider that. We are all one state. What affects one city, affects the suburbs sooner or later.

ASSEMBLYMAN BEDELL: I respect your opinion, but I must

tell you that many people who have testified before the Committee do not concur with that opinion.

MR. VISCEGLIA: Well, it is up to you to revaluate this.

ASSEMBLYMAN BEDELL: Thanks an awful lot for your time.

Mr. Augustus Nasmith, Associated Railroads of New Jersey.

A U G U S T U S N A S M I T H: I understand my name was called earlier and I wasn't present. I apologize.

If I may, rather than reading this statement, which is only three pages, I will be brief and merely summarize it because this is a request for a specific amendment to Assembly 1251, which is set forth on the first page of this statement. Our primary justification is also set forth on the first page of this statement, namely, that similar equipment of other utilities is presently exempt. And we feel exemption for railroads should be expanded in a similar vein.

On the third page of this statement, we set forth considerations of the Tax Policy Committee discussion of the subject of this type of exemption, which we feel, taking into consideration the subsidy to railroads to preserve the service as mentioned by the Committee, is further justification for this exemption.

I hope by my brevity there is no indication that I am not urging this exemption to the fullest possible extent. But I think it is spelled out on the first page and there is no need to take your time in reading this statement for some of the underlying reasons why we think it is justified.

(Mr. Nasmith's complete statement can be found beginning on page 69 B.)

ASSEMBLYMAN BEDELL: May we question you now, sir?

MR. NASMITH: Yes.

ASSEMBLYMAN APY: From what you have said, I take it, the Sears Committee recommended the continuation of the exemption. Is that right?

MR. NASMITH: Yes.

ASSEMBLYMAN APY: Did the Sears Committee recommend that the exemption be expanded?

MR. NASMITH: No, sir, it did not.

ASSEMBLYMAN APY: As I understand the proposed amendment, it does that. I understand it is to make it consistent with other areas. Is that correct?

MR. NASMITH: With respect to other public utilities.

ASSEMBLYMAN APY: Can you tell us what the extension of the exemption would mean as far as revenues are concerned?

MR. NASMITH: Unfortunately, I can only give an estimate based on a 1969 study and that estimate is $175 thousand.

ASSEMBLYMAN APY: Of course, that would depend on the extent that the railroads had the money to engage in the replacement, rebuilding and expansion of services in these particular areas, I would assume.

MR. NASMITH: And as is pointed out, we don't have much money.

ASSEMBLYMAN APY: I understand the situation. If you got more, you would spend more. I don't mean that the way it sounds.

MR. NASMITH: Hopefully this would be an inducement towards improving roadbed and equipment.

I might add, if I may, that Senate 172 by Senators Miller and McDermott does have this exact language in the bill.

ASSEMBLYMAN FORAN: Mr. Nasmith, you have touched on one segment of the tax package. I would like to have your viewpoint as a single citizen on the income tax as well as the statewide property tax.

MR. NASMITH: Your question properly suggests that I only answer as an individual citizen, not representing the Railroad Association.

ASSEMBLYMAN FORAN: As an individual citizen, sir.

MR. NASMITH: As an individual citizen, I have been keeping my mind open in determining my position. But in an effort to be more constructive, as a member of the New

Jersey Taxpayers Association, I have a great regard for their objectivity and their expertise and I am going to be guided individually to a great extent by their position, which I think is quite constructive and realistic.

ASSEMBLYMAN FORAN: Are they scheduled to appear before this Committee, do you know?

MR. NASMITH: I don't know.

ASSEMBLYMAN FORAN: I just thought I'd ask the question.

ASSEMBLYMAN VREELAND: Mr. Chairman, I would like to just ask Mr. Nasmith one question. Under this proposal, as far as the real estate or any taxes under this proposal, the railroads are not affected by this too much, are they?

MR. NASMITH: The railroads are not affected as far as the present system of railroad taxation, which is property --

ASSEMBLYMAN VREELAND: That's what I meant.

MR. NASMITH: (Continuing) -- which is property in railroad use. As to property that railroads may hold which is locally assessed, the railroads would be subject to the other bills in this package and we have no particular position as to them.

ASSEMBLYMAN VREELAND: I see. Thank you.

ASSEMBLYMAN APY: Thank you, sir. The Taxpayers Association is going to be here tomorrow we understand. So unless you are sure what they are going to say, you might want to come back and cover yourself.

MR. NASMITH: I still rely on them. I see the Chairman of the Tax Committee here.

ASSEMBLYMAN BEDELL: The Committee would like to hear from Mrs. Catherine McGrath of Princeton, New Jersey.

C A T H E R I N E M c G R A T H: Mr. Chairman and members of the Committee: My name is Mrs. Catherine McGrath of Princeton Township. I would like to thank you for this opportunity to testify in favor of the tax package.

I speak as an individual from one of the suburban communities, which will not receive any immediate tax relief

from the proposed tax reform package. In fact, we will end up by paying more. However, I strongly support the tax reform program as enunciated by the Governor to the Joint Session of this Assembly.

You have indicated that you have heard comments from residents of the affluent suburbs in this State who object to the tax package because they do not wish to pay any more taxes. Let me say that I do not like to pay any more taxes, but I am willing to do so, not for any altruistic reasons but purely on the basis of self-interest. It seems to me that I have a very vital interest in what happens in the entire State of New Jersey, and particularly in the cities.

Suburban communities such as mine can no longer build walls around themselves and live in relative isolation from the problems of the most urban state of the Union. We have all witnessed the competition of suburban and rural communities for ratables. If this competition continues with the continued flight of industry from the cities, we will soon see wall-to-wall concrete in this State. The pool of labor needed by industry will continue to be trapped in the cities, swelling the welfare rolls. The children of these welfare recipients will continue to receive an inferior education, thereby perpetuating the welfare cycle.

Under the present tax system, these problems cannot help but be passed on to me in increased county welfare and judicial costs in the form of increased property taxes. So we cannot avoid increased taxes in any event and the question remains whether these taxes will be in the form of an equitable and elastic income tax or another round of increased property taxes and nuisance taxes.

I should also like to address myself to the Botter decision mandating the change in the method of financing public schools in the State by January 1973. If the Legislature does not come up with an alternative plan, we will undoubtedly have such a plan imposed upon us by the courts, much in the

same way that we had a districting plan imposed. Nor do I think that Senator Miller's bill for a $2.25 per hundred statewide property tax answers the problem of New Jersey's entire fiscal problems without other measures to effect significant tax reform accompanied by an income tax.

In closing, let me comment briefly on some of the comments that have been made here regarding the mail and the testimony that you have heard which indicates that most of it has been against the tax package or somewhat hostile to increased aid to the cities or support for the cities' programs from the suburban communities. I don't need to remind you that the people who write to you are undoubtedly those in the high income group who are most articulate and have political "know how." Those low-income families who will be most helped by this program simply do not have the political "know how" to make their views known. There is a large group in the middle who are overcome by apathy and simply don't do anything. Thank you.

ASSEMBLYMAN BEDELL: You touch upon the fact we must have concern for the cities and that we must do something to stem the tide of citizens and industries fleeing from urban centers. If I read correctly, you seem to say that this proposed tax package before us would check this in some manner. Who knows to what extent it might check it because this Committee is aware of the same thing happening all over the United States, particularly in the states that already have state income taxes and property taxes and sales taxes. Why hasn't it stopped the urban sprawl in those areas?

MRS. MC GRATH: I am aware of that problem, Mr. Bedell, and I heard you raise it earlier today. Obviously in other states there are sales taxes, income taxes and high property taxes. I don't pretend to be a specialist in urban affairs. However, I do know from my own experience in the State of Massachusetts where I was born and brought up that the imposition of these taxes was not accompanied by any

significant tax reform or reduction in the property tax. It was simply superimposed on an already soaring property tax.

I should also like to comment on the fact that the larger cities of this country are indeed much larger than any of the cities in this State. You could drop the whole State of New Jersey into New York City and still not meet the population figures that they experience.

ASSEMBLYMAN BEDELL: Any other questions? (No response) Thank you very much.

Mr. Richard Baker, Dydee Wash, Collingswood, New Jersey.

R I C H A R D J. B. B A K E R: May I correct you, sir? It is Dydee Service, not Dydee Wash.

ASSEMBLYMAN BEDELL: That's what my notes tell me, sir. I apologize.

MR. BAKER: Mr. Chairman and members of the Committee, I am appearing here for the diaper service industry of New Jersey and I could also say for a segment of the public of New Jersey because of the customers that we serve.

ASSEMBLYMAN APY: They cannot speak for themselves because they can't talk yet.

MR. BAKER: No. They are not paying the bill; it is popa and mom that are. That's the problem, as I will point out.

The potential detrimental impact of a sales tax on diaper service:

As it is readily realized, diaper service is used by families that are in the early years of marriage and also they would be at the lower age or stage of their income, so that this would be an added cost to their income and also at that time, at the birth of a baby or preceding it, their living costs take a much larger percentage of their income or of their take-home pay. The family requiring diaper service is the family that has just gone through a stage of greatly added medical expense, for instance, prenatal, hospital,

investment in clothing, equipment, miscellaneous supplies, etc., and are now faced with the birth of a baby with continuing extra cost, usually for the periodic checkup of the mother and the baby by the pediatrician, as well as an extra mouth to feed, diapers, clothing and other miscellaneous costs.

Another category in our service that many people don't realize is that we do supply incontinent adults who in their later years of life usually are afflicted with some type of problem that makes it necessary that they be diapered. That also would come under the tax at a time when those people have a much lower income than they originally had, plus again great medical expense. And diapering is an important factor because it does help to keep down their costs of additional bed clothing being soiled. It also helps them to be ambulatory to a great degree as long as they use what we call a gerry pad rather than a diaper so that they are not embarrassed by the fact that the diaper service is serving them, but rather the gerry care service.

Professional diaper service is not just a convenience. Diapers are processed under a formula that has been set by a national medical laboratory and the processing is constantly checked by this laboratory. In the final rinse, diapers are chemically treated to put them on the acid side which makes them compatible with the fact that urine breaks down and forms ammonia which is one of the great causes of skin irritation, breaking down the epidermis of an infant's skin which then can allow secondary infection to come in. In diaper service we can do this, which is not possible to do in home laundering and is not part of the processing or the chemistry of paper diapers or, as they call them, disposble diapers. We also treat the diapers with an antiseptic that inhibits the growth of bacteria. Again this can only be done in diaper service. The antiseptic is especially effective against the formation of staphylococcus sureus, which possibly you all recall several years ago when a strain eventually evolved from

having been only partially hit with penicillin and built up in defense against penicillin, so this staph-forming bacteria was a great problem in the hospitals. But by using our diapers - and we do supply hospitals with diapers - this eliminated that problem as far as the nursery was concerned.

Diapers are considered to be clothing. So it is naturally understood that paper diapers will not be taxed. I am pointing this out, as I stressed just before, what our service will do that paper diapers won't do. They are not impregnated with an antiseptic and they are not chemically treated as far as being put on the acid side to inhibit the formation of amonia. The great impact of national television, advertising by the multi-million-dollar corporations that manufacture paper diapers, has to some extent caused a falling off in the volume of work being done by diaper services. An increase in our cost or taxes will definitely drive more people into the market to purchase paper diapers.

The paper diaper problem too is a problem of ecology as far as the disposal is concerned, because it has to be hauled away as trash or, if it is flushed, many times it causes a lot of problems in the municipal sewer systems. Our service is really a disposable diaper service in that we take away the diapers, but we reprocess them and return them.

I have written in more detail, but I will close here and thank you, gentlemen, for taking the time to listen to this little story about our problem.

ASSEMBLYMAN APY: Thank you, Mr. Baker. I think you are the first one who has testified specifically from your area of the industry. I may be wrong.

Does anybody have any questions?

ASSEMBLYMAN FORAN: Mr. Baker, you have testified, as well as others, on A 1251, which is one of 57 bills being considered by this Committee. I wonder if you would care to comment as an individual taxpayer and as a small

business man on your reaction to the income tax and to the statewide property tax as a form of revenue swing-over and reform. You don't have to. I am just asking if you would.

MR. BAKER: I might prejudice my case by saying some of my personal thoughts as far as the expense of government. So I would rather not make any statements on that. I do feel that an income tax is fair, that something has to be done. I do feel though that we are certainly giving far more services just because of pressure. There are many selfish groups that want service here and service there.

ASSEMBLYMAN FORAN: I wouldn't call them selfish groups. They are interested groups.

MR. BAKER: Self-interested groups.

ASSEMBLYMAN FORAN: That could very well be. But we are considering a package of some 57 bills and we have heard extensive testimony on 1251 today from your cohorts and other interested people in your particular industry, whether or not you are in particularly the diaper business, the laundry business or the dry cleaning business. I just wanted to know whether you as an individual had any concrete views with regard to the income tax and statewide property tax or as a small corporate business man on this transfer of responsibility in this tax reform. And apparently you are kind of reluctant, I guess.

MR. BAKER: No. I would say, as far as personal income tax, at one time I was very much against it. I felt, let's have a sales tax and let the people realize every time they are buying something and spending, they are paying more taxes. At the same time, I feel that by taxing corporations more and more, all you are doing is spreading the load back to the people. So let's do it by personal income tax. There you can do it on the basis of the income of the individual. He is paying proportionately.

ASSEMBLYMAN FORAN: That wasn't very hard, was it?

MR. BAKER: No.

ASSEMBLYMAN APY: I think Assemblyman Mancini had a question.

ASSEMBLYMAN MANCINI: Rather than a question, Mr. Baker, I believe that the diaper business would come under rental clothing and that is exempt now and if I am not mistaken it would continue to be exempt.

MR. BAKER: My understanding is that they are going to tax laundries and dry cleaning, which is processing of clothing. Therefore, it would apply to us just as well.

ASSEMBLYMAN APY: Maybe that is a good point though. What Assemblyman Mancini is suggesting is that maybe as a matter of definition, you might come under another section.

ASSEMBLYMAN MANCINI: It is the opinion of some of our experts in the room here that that would be exempt under the new regulations.

ASSEMBLYMAN APY: Get it in writing and you are O.K.

MR. BAKER: I don't know. I haven't heard anything on that. But I know that the laundry industry, that is, the general laundry, as well as dry cleaning, have been greatly disturbed by this. We only do diaper processing, but again that is an article of clothing, as you say. I am afraid that would be in a catch-all thing as far as it is going right now.

ASSEMBLYMAN APY: Actually in practice in your industry, there are different categories. There are certain services where the entire service is the providing of the diaper on rental and replacement twice a week or whatever. Then also as part of the plain laundry service, you would be laundering diapers belonging to the people that had the kids. So there are really two approaches, I would think, in the industry.

MR. BAKER: I don't think you will find much as far as any laundering of individuals' diapers because that is a very costly part. It is more economical and a lower cost to supply diapers and own the diapers at a lower cost than if we were to do the mother's diapers.

ASSEMBLYMAN APY: I see.

MR. BAKER: If I may, there was one point I failed to bring out when I was talking about the paper diaper industry. If we lost out to that, we employ many who have no specific trade, come from the low-cost areas of the city, and can easily learn to process, handle, inspect, fold and package diapers, who would be affected. Our average is approximately one employee per 500 diapers processed. Paper diapers can be turned out by the hundreds of thousands by automatic machinery and these diapers are manufactured outside of the State, so that the employees here would suffer on that if our prices are pushed up. And the actual cost right now from our price schedule to a family would be approximately 17 1/2 to 20 cents a week more - that is, what they would have to pay on the tax.

ASSEMBLYMAN APY: Assemblyman Vreeland?

ASSEMBLYMAN VREELAND: I was going to ask Mr. Baker if he had any idea as to the volume of business involved here so that we could come up with an estimation of the tax money that would go to the State if it was taxed.

MR. BAKER: I do not know what other diaper services are doing, but I could guesstimate that the volume would be in the neighborhood of $5 million a year income in diaper service.

ASSEMBLYMAN VREELAND: Thank you.

ASSEMBLYMAN APY: Thank you very much.

Mr. Sidney Prestup from Automatic Laundry and Dry-Cleaning Association of New Jersey, if my memorandum is correct.

S I D N E Y P R E S T U P: Partly correct. I am also Vice President of Avis Machinery Company.

Members of the Committee and Mr. Chairman: It was not my intention to speak today, but after sitting back a while and listening to so many of the comments, some very disturbing problems came into my mind and I thought I would share them with you and perhaps this may affect your thinking on Bill 1251.

For over five years I have been a consultant with the Inter-racial Council of Business Opportunities up in the Newark and Essex County area, as well as a consultant with the Rutgers Investment Minority Corporation. You well know the wonderful work that we have been doing in that field, putting minority people into businesses of their own, so we could raise their standards of living as well as put small business back into areas that have been blighted and which the cities would love to see rebuilt.

My experience has been that these people that we are putting into business have had no formal business training outside of working hard with their hands. We have been taking these people and making business people out of them. In many cases, it is difficult to try to train them in keeping records and in doing the paperwork that normally is done in this type of business.

These businesses many times are marginal. They are put into a business and we anticipate that they will replace the labor that they once did in that business and, therefore, they will be able to sustain themselves and at the same time earn enough extra or profit, as we call it, to pay this business off, which we hope in the future will raise their standard of living and make businessmen out of them.

As you know, a lot of these businesses can be marginal. I am just wondering in my own mind what will happen when sometimes these businesses are not doing as well as they should and they have collected the tax that they are told they must collect. Will this go the same way as a lot of the withholding taxes have gone in the past year? I think many of you are aware, and I personally know of a few small businessmen who have used the withholding tax to keep their heads above water, whereupon the Internal Revenue or one of the services such as that has come in and closed them down for small amounts, believe me, gentlemen, under $500. This can happen very easily here. This isn't money that they will turn in on a daily basis. This is money they will have in their possession. I don't know whether if it was you or

I, we might not be tempted to use that money to sustain ourselves if things were such where we had to be confronted with that question.

Also I would like to bring out another aspect. We are working with many vocational schools at the present time. We have instituted laundry and dry cleaning programs in these vocational schools. We feel we are on the verge of being very successful in putting various types of citizens back into employment who have many times been condemned by society as being useless or not trainable. I am referring mostly to retarded children. We have a program going now and I am happy to say that we are pretty near on the verge of getting some of these retarded youngsters jobs. We are training people in these programs that are handicapped to work in this particular field. This is wonderful. There is one school that has emotionally disturbed children and we find when they have been taught in this particular program, they have taken to it very well and can be trained to be useful citizens and go out and earn a living. This is an area where we can train this type of person to be self-sustaining.

This tax may create a problem, gentlemen, because when we go and ask employers to hire these people, they are reluctant in the beginning because they feel there may be problems. In order to induce them, we have to sort of work on their civic pride or good nature or whatever you want to call it. Many times, it is a financial burden until they can break these people in properly in their particular line of business. If there is a tax, this may curtail the profits of these stores. As you know, there has been a general recession or complaining by business in general. This may be just enough to be the last straw to break the camel's back. They may be reluctant. We may find that we are having problems trying to get these people into a program that we have worked so many years so hard to do.

These are two areas that I think most people are not aware of and I would like to bring to your attention.

We also put many people into the coin laundry business

who are elderly. You would be surprised at the percentage of elderly people, which is very high, who are in this business because it is a business that they can handle very easily. Many of these people are retired and they need another source of income to keep them off the relief rolls or to keep them from being a burden upon their children and family.

It is with this thought in mind that I ask you gentlemen to consider this portion of the tax bill and leave it the way it has been until we have a fair chance to evaluate in our own fields what we can do to help all of these people. All of us would like to maintain our dignity and independence in our twilight years. Let us not deprive so many others of their last vestige of hope to be useful and self-sustaining in our society. Thank you, gentlemen.

ASSEMBLYMAN APY: Thank you, Mr. Prestup. Let me ask you this - not specifically about the trade but rather in a broader sense based on your experience working in an effort to assist those who need help in getting started in business because you spoke about the marginal nature of many --

MR. PRESTUP: Yes, sir.

ASSEMBLYMAN APY: It is a question directed to the total program and your reaction to the total program in light of these small businessmen. Do you think the consequences of the proposed tax reform program would be of assistance to or are there certain areas of it that might hurt these people in their effort to get started?

MR. PRESTUP: There is no doubt in my mind, in this particular area if there is a tax imposed on laundry and cleaning, I definitely feel it will hurt our chances of rehabilitating and continuing as successfully as we have with this program.

ASSEMBLYMAN APY: I was trying to even broaden my question a bit more because I know that other industries have

similar programs. I am wondering whether the experience you would anticipate in your industry would apply across the board as far as reaction.

MR. PRESTUP: I believe it would.

ASSEMBLYMAN APY: Any other questions? (No response.) Thank you very much.

Mr. Peter Larson of Far Hills.

P E T E R L A R S O N: Mr. Chairman and members of the Committee, my name is Peter Larson, Far Hills, New Jersey. I am here today represting myself, although I am professionally employed as Executive Director of the Upper Raritan Watershed Association, a citizen-supported conservation orrganization. My comments here are my own, however.

The tax package appears to me and my conservation associates to contain many unknown dimensions which are impossible to really evaluate in the brief time between its release and the legislative calendar calling for action. Certainly some 57 pieces of legislation with the implication of passage of some and failure of others makes a ludicrous prospect for anyone attempting to interpret relationships of cause and effect.

This is the case which I find myself in as an environmental-economist. Although I am professionally employed, as I said, as a professional environmentalist, it is impossible for me to stand here and say that my 800-member organization supports this or opposes that. With such a major revision of the state's socio-economic system, such as we are now contemplating, it is every man for himself with his own vested interest at stake. To gain consensus in my position is almost impossible. I therefore offer my remarks as a graduate economist with long experience in tax matters, particularly in Massachusetts, also nicknamed "Taxachusetts." I temper these remarks as a New Jersey taxpayer and environmentalist.

Environmentalists cannot support this package without

some guarantees and changes. I am particularly frustrated because of great input by conservation groups at Tax Policy hearings. Apparently no assessment has been made nor any measurement of environmental effect been considered in these bills.

A prime example of this lack of consideration is found in A 1268, the Revised Farmland Tax Assessment Bill. The Tax Policy Committee recommended an increase in the income needed to qualify and an increase in the penalty for changing land use from farming by extending the rollback taxes for more than two years. The provisions of A 1268 only slightly modify the income provision with no change in the basic rollback. The result is no significant help to bona fide farmers while creating a big loophole for some land speculators. The real farmers can easily qualify for real farmland tax abatement. If they want to convert out of farming, then they too are entitled to a fair profit, for this is a true long-run gain from agriculture. Unfortunately the farmer is not in a real estate speculator's position nor is he a developer who cares more about money than the land or the community. The little man serves a valuable function in land conversion in that of connecting the seller and the buyer. In this process tremendous gains are possible and usually obtain. But this escalates the inflationary cost of land to developers which is passed on to home owners and renters, increasing the cost of living. Further, without some economic control on such exploitation of conversion rights, the profit motives preclude planning and communities react to proposals rather than realistically guiding growth in a balanced form. Therefore, excessive taxes might help to reduce sprawls by making early conversion of relatively low-priced rural land no more profitable than conversion of land anywhere. This could be accomplished through a corporate tax aimed at this problem and, if an income tax were imposed, aimed at those specific profits as personal income tax. As of the present, over 90 per cent

of the profits from land speculation are returned to investors as personal income and a return on investment of at least 15 per cent is the desired goal. Tax policy should consider these factors.

A similar land-use problem related to public interest in regional planning is site-value taxation, designed as a means to control urban blight. There appears no insurance in this bill that the proper kinds of things will be built in urban centers given this tax incentive. There is no control on the economic incentive to build any housing, as opposed to offices and industries. What about the trade-offs and the effect on parks and recreation, on open space, flood-prone areas, air-quality regions, etc.? Such a project has profound effect on the region around it in terms of need for water supply, sewage disposal, solid waste, air pollution, transportation, etc. What about the regional responsibilities of a community?

A few recommendations may help shed some light on the plight of environmentalists in evaluating constructive suggestions towards the tax package.

First, I think we must add a bill, A 1005, to the tax package. This bill provides increased assistance from the private sector in public open space preservation. As Governor Cahill put it, there is no way and we cannot afford further public acquisition of anywhere near enough land to meet current open space demands, to say nothing of future requirements. A tax break to private conservation groups to hold land would enable private philanthropy to be cultivated in the public interest.

Second, the Farmland Assessment Act should be amended to cover other public-interest lands, such as flood plains and wetlands or conservation lands not capable of producing income. A tax break here is in order wherever the public interest function can be clearly demonstrated or designated as might be accomplished if the Flood Plain Protection Bill, A 572 were amended and added to the tax package.

Third, uniform rules of assessment should be vastly improved to assure statewide fairness in evaluating lands restricted in use by virtue of resource limitations, zoning, and deed covenants should be valued as a sale between any buyer and seller and not on a basis of comparable sales on lands not so restricted.

Fourth, an excess short-term capital gains tax could be effected on real estate transfers on unimproved land. Without an income tax, however, the transfer tax alone might be so modified. These funds could be dedicated to open space, etc.

Fifth, property tax exemptions should be granted to lands permanently restricted to open space use. Maryland and Washington have examples of this.

Sixth, energy conservation taxes should be tied to sales and support services for energy-consuming items. State policy must be brought into focus on the effects of energy consumption on the environment and the tax regulated by tax policy.

Seventh, earlier I mentioned amending A 572, but also to include real estate tax relief for any lands which are altered in value by zoning. In this particular instance, tax policy can be used to benefit the public interest.

Eight, site-value taxation, A 1300, should be amended to provide thorough review by regional or State agencies to insure the public interest will be met by preferential treatment of improvements in these urban centers and the relationships of their problems to the regional environment be duly considered.

Ninth and last, the property tax must have a ceiling to further avert devastation of our landscape by forcing land into early development due to inability of landowners to cope with rising inequitable taxes on land which requires only minimal services. This will help the general public interest in open space by slowing the process of speculative

development often enhanced by a landowner in financial trouble. He generally sells to a speculator who then finds a client. This amounts to block busting in open space areas and encourages sprawl which is expensive to all the people of New Jersey.

The Governor's package does not utilize the recommendation of the Sears Commission as noted on page 26 of the report summary, which is, in essence, a recommendation for relief on land property taxes.

In conclusion, let us use tax policy constructed in terms of environmental considerations. Thank you.

ASSEMBLYMAN APY: Thank you, Mr. Larson.

Assemblyman Foran, did you have any questions?

ASSEMBLYMAN FORAN: Through you, Mr. Chairman, Mr. Larson, we were privileged yesterday to receive a rather lengthy statement from Mr. Frank J. Oliver in behalf of the League of Conservation.

MR. LARSON: I am familiar with Mr. Oliver.

ASSEMBLYMAN FORAN: He pretty well covered the same points you did and I just wanted to let you know that he has given us a printed statement.

MR. LARSON: Fine.

ASSEMBLYMAN FORAN: If you have a printed statement for us, we would appreciate having it.

MR. LARSON: I can prepare one if you wish. We have communicated amongst the environmentalists.

ASSEMBLYMAN FORAN: I wanted to make sure that you knew you weren't the only one covering the subject of conservation as related to this tax reform package.

MR. LARSON: I believe you will have at least one more tomorrow which may hit on some of these same points.

Are there any other questions of the Committee?

ASSEMBLYMAN APY: Does anybody have any further questions? (No response.) Thank you very much, Mr. Larson.

ASSEMBLYMAN BEDELL: The Committee would like to call on Mr. Archie Roth, Blairstown, New Jersey.

A R C H I E R O T H: Thank you, gentlemen.

I have no prepared statement. I just want to make a few observations while sitting here.

I am an attorney from Blairstown Township. We are a rural township of approximately 2500 people.

It has been rather interesting to me, Mr. Chairman and members of the Committee, to sit and listen today to all the special interests that testified concerning their particular aspect of the tax reform program. I realize that self-preservation is one of the instincts of nature. However, it appears to me that some of the lobbyists who came in here to testify were in effect saying, "As long as you don't affect our particular endeavors, we are in favor of the tax reform program."

ASSEMBLYMAN APY: I think we discerned that thread along the way.

MR. ROTH: I am sure you did.

However, I would like to tell the Committee that I appeared here at the first Mayors' Conference when Governor Cahill and the Tax Policy Committee made its report one day during the winter. I came down on May 18th. I listened to the Governor and I am here today.

There seems to be a fallacy in some of these bills being submitted to the Committee that are to be reviewed, examined and evaluated.

Number one, when I heard the Governor the other day on "Straight Talk," I was more impressed with Senator Crabiel's statement in debate with the Governor than I was with the Governor's. I think that the revaluating of properties throughout the entire state has often been neglected in the urban areas but not in the rural areas. I think Assemblyman Foran hit the nail on the head when he asked some of the witnesses who testified with respect to the corporation tax on business about revaluation. One of the gentlemen from Newark said, "You are going to tax us

out of business." It doesn't seem to me that in the urban areas - and I can prove this from different tables - the revaluation program has been effective. It has been more effective in the rural areas and we have gone to 100 per cent ratio, then dropped down because of the increased sale price.

The Governor the other day on "Straight Talk" mentioned a property in New Brunswick valued at $20,000, on which the individual paid $1900 in taxes. Had that property been revalued in New Brunswick, gentlemen, it may have reduced the taxes that that individual taxpayer would have to pay. Because I would venture to say the ratio in Middlesex County and in Mercer County is an average of 40 per cent of true value. I take that from the Lawyers' Diary.

Number two, it seems that if the revaluation program were effected, there would be greater revenue coming into the different municipalities which would offset any increase in taxation insofar as real estate is concerned and might give the Governor sufficient revenue to offset some of the revenue now sought by this $1 per hundred valuation.

I am sure the Committee is also aware that the $1 per hundred valuation is not going to remain constant. Even though the Constitution is amended, there cannot be any possibility of having a norm of $1 per hundred. Because you can visualize what is going to happen throughout the entire state, whether it be in Millburn or Short Hills or Newark or Blairstown or Clinton or Flemington, or wherever, with the human factor involved, this is not going to be that constant $1 per hundred. We are going to be confronted with the possibility of having the $1 per hundred remain static, but having the valuation rise, thereby defeating the very purpose of the reform program insofar as property taxation.

I wish to bring to your attention that in my community we have the Yard Creek Pump Generating Plant from which we enjoy, of course, a tremendous amount of gross receipts taxes. We do get that and we have been using it not only

for education, but also for the municipality. And I must say we do have an overage at the end of the year. However, we are trying to improve the community and we feel that the program that is being proposed by the Governor in taking away perhaps some of the gross receipts tax we may enjoy as well as other communities may enjoy is unfair. Not only is it unfair, but it is also discriminatory because if this is to be a ratable, not a utility, there would be no question about taking away some of the money we are receiving in gross receipts and distributing it to other municipalities of the county.

These are some of the thing that I wanted to bring to the attention of this Committee before I go back to Blairstown. Thank you very much.

ASSEMBLYMAN BEDELL: Thank you, sir.

The Committee would like to call upon Mr. Sam Golub, Netcong, New Jersey. Mr. Golub, the Committee is aware you have spoken before it on a prior occasion, and we would urge you not to reiterate your previous testimony. But if you wish to add to it or to make additional comment, feel free to do so.

S A M G O L U B: At the end of my talk the last time I spoke before you gentlemen, Assemblyman Foran asked if I had any alternate proposals. I have been thinking about it and this is what I came up with.

I think the State ought to initiate an educational equalization tax in order to get around Judge Botter's decision. Here is the way it would work: Take the basic per capita amount that the State intends to subsidize each pupil. Let it be known as the State's per capita educational equalization tax rate. Each school district knows the number of its pupils attending. Therefore, we will multiply the State per capita equalization tax rate by the number of pupils and the answer would be the State's educational equalization amount to that particular school district.

The individual property tax though would apportion

that amount of money by its own method of assessment and would be reflected on the property tax bill as the State's educational equalization tax. The local school board would be the recipient of the full amount of the State educational equalization tax and I would suggest that it be so written in the law. The balance of the school district tax would appear on the property tax bill as it now does, also the amount of the county tax and the municipal tax.

In this respect, it will guarantee the State's responsibility to public education because the rate would be uniform throughout the State and it assures a basic educational rate guaranteed by State law. It is broadly based and its equalization appeal cannot be quickly challenged.

I urge that the method be studied and evaluated and eventually substituted in place of the Governor's Pandora's box tax reform. It would be much more equitable.

It also eliminates the waste of sending locally-collected money to Trenton and then having it sent back as a subsidy. It will eliminate the administrative costs. It is also essentially the same technique that is employed by the State Commissioner of Education in determining the amount of money each school district would receive under the Governor's plan. However, the proposal returns the best of the home-rule philosophy which we have enjoyed over the past and still guarantees the State an equalization tax rate. Thank you.

ASSEMBLYMAN BEDELL: I will have to review what you have said when the transcript of this hearing is completed. I am not sure I grasp it.

You talk about an equalized rate of taxation. How would that affect the equal opportunity to education because there is not necessarily a relationship between the property values in a town and the amount of school children a town might have to educate? How would that affect equalizing the amount of money available for education of each child in New Jersey?

MR. GOLUB: It was my assumption that the amount

spent - that an equal amount spent per child is what we are trying to get at. Is that correct?

ASSEMBLYMAN VREELAND: That's right - an equal amount spent.

MR. GOLUB: I would like to personally thank Assemblyman Foran for questioning me the other day. It was his stimulation tht made me go further and do a little more thinking.

ASSEMBLYMAN VREELAND: I think, Mr. Chairman, we ought to follow this up a little bit further because I think you raised the question here. The equalized rate will raise the money, but does that say that each child in the State is going to have the same amount of money?

MR. GOLUB: Yes. It's the basic amount of money. The State Commissioner of Education will determine the basic amount to be spent per child. Say, for instance, it is $400. That's the minimum amount. Each school district knows how many pupils they have. Multiply that $400 by the number of students in each particular district. That will be put on the property tax bill as a State equalization tax. In other words, it gets around the decision of the Judge and it gets the State off the hook.

ASSEMBLYMAN VREELAND: Now I get a better picture. I didn't know what you meant at first. Thank you.

MR. GOLUB: Thank you very much, gentlemen.

ASSEMBLYMAN FORAN: I would like to thank you for coming all the way down here to answer my one question. I think that was pretty decent of you.

ASSEMBLYMAN BEDELL: That exhausts the schedule of speakers. Is there anyone else in the Chamber who wishes to address the Committee at this time? (Member of audience indicates desire to speak.) Please state your name.

R O N A L D L O N D O N: Thank you, Mr. Chairman. My name is Ronald London from Cherry Hill, New Jersey. I am here in reference to retaining the exemption for the coin laundry and dry cleaning, Bill Number 1251. I will only take a few moments of your time.

It would, without any question, put a tremendous burden on us and in most cases would force us to raise the price of coin laundry and dry cleaning to the public, on top of being almost impossible mechanically. Of course, nothing is impossible to do.

We would like you to consider leaving 1251 intact. That's the reason I came today before you. Thank you.

ASSEMBLYMAN BEDELL: Thank you very much, sir. We appreciate your coming.

There being no further speakers, this hearing is recessed to reconvene at eight o'clock this evening in this chamber.

(Recess for Supper)

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(Night session)

ASSEMBLYMAN BEDELL: The public hearing before the Legislative Committee to consider the Tax Proposal is now in order. I will turn the microphone over to the local representative of the area, the Honorable Joseph Merlino.

SENATOR MERLINO: Thank you, Mr. Chairman.

I would like to welcome you here tonight. This is, I believe, the tenth hearing but the second or third evening hearing before the Committee. This is essentially the Assembly Taxation Committee conducting hearings but we in the Senate do not have a committee as such, that is a separate taxation committee. We've kind of streamlined our committees and we now have one which is called the Revenue, Finance and Appropriations Committee, of which I am a member, and we in the Senate have come along and taken part in these hearings. Here with us tonight is another member of the Senate who represents the so-called capitol district, Senator Schluter, sitting on the far end of the table. There is no real significance to the fact that the Senators are anchoring either end of the table, it's just the way we happen to be seated.

This Committee is chaired by Assemblyman Bedell who opened the meeting and sits in the center. And starting down, to my right, Assemblyman Mancini from the shore area; Assemblyman Foran from Hunterdon County; Assemblyman Bedell, our Chairman; Assemblyman Apy from Monmouth County; Assemblyman Gorman from South Jersey; and Assemblyman Vreeland from Morris County.

The purpose of this hearing - this and the other hearings that we've conducted - is not for us to criticize or defend the Tax Policy Committee recommendations or the Governor's recommendations or the package of bills that we are now considering; we're here basically and primarily to receive opinions and criticisms from you, the public, the citizens of our State, whether you represent a particu-

lar group or interest or just as a citizen of the State expressing your opinion. These are the things that we would like to hear.

We've been here all day today listening to various groups particularly concerning the taxes affecting business. And hopefully tonight we will hear your opinions and criticisms and suggestions too, by the way, because it is the purpose of a public hearing to get the thinking of you the people who administer the local governments and county governments and those of you who are concerned with your own particular community problem as it affects the taxation. We would like to hear your opinions and your criticisms and hopefully when we finish these hearings tomorrow we will have sufficient knowledge and information from the people from the various parts of the State so that we can really go to work on the tax bills that we have.

With that, I will turn the microphone back to the Chairman, Assemblyman Bedell.

ASSEMBLYMAN BEDELL: Thank you very much, Senator.

I might add that anyone who wishes to testify may do so by filling out a slip which will give you an order of speaking. You may get this slip from Mr. Peter McHugh, right here at the desk.

I would now like to call upon Mr. Harry B. Miller, Disabled American Taxpayers Association of New Jersey, Trenton, New Jersey.

H A R R Y B. M I L L E R: Mr. Chairman, distinguished members of the State Legislature, ladies and gentlemen: We would like to present a few preliminary remarks prior to our presentation.

I have been authorized to speak on behalf of two separate state organizations whose social and economic status are most identical. The organizations I refer to are the Disabled American Taxpayers Association of New Jersey, Inc., representing the totally disabled residents of New Jersey between the ages of 18 and 64, inclusive; and the New Jersey State Council of Senior Citizens

composed of the State's elderly citizens.

The Officers of the State Council of Senior Citizens are attending the National Convention in Washington, D. C., and hence could not appear.

These two segments of the State's population have very much in common in the way of dire need for property tax relief and other economic and social benefits.

Let me assure you, the plight of the totally disabled property taxpayers under 65 years of age is far more severe than the present dilemma of the senior citizens for the following reasons:

1. They receive not one dime in relief for their property taxes, whereas the senior citizen receives $160 per year.

2. They receive not one dime in relief for their medical needs or expenses through such a program as Medicare which senior citizens are eligible for.

3. They cannot supplement their ~~increment their~~ income by one dime without jeopardizing their social security benefit, whereas the senior citizen may earn as much as $1680 per year over and above social security.

We hope, from the information presented forthwith, you will all understand the urgent need for equitable legislation to provide property tax relief to the totally disabled resident property owners of New Jersey under 65 years of age.

This is the second consecutive year that our organization has had legislation introduced on our behalf to provide property tax relief to the totally disabled resident property owners of New Jersey under 65 years of age. In 1971 it was Assembly Bill ACR-108 which died in the Assembly Taxation Committee. We were informed by the sponsor of the bill that the Taxation Committee wanted to await the report of the Tax Policy Commission which they hoped might make some reference to the subject. This same hope was and has been held by many of the Legislators we

have contacted in the recent past. We waited, but we waited in vain, as nowhere in the Tax Policy Commission Report are the words "totally disabled taxpayer" mentioned. We would hope some esteemed member of the said Commission could provide a logical explanation for this omission.

No segment of the State's population has been more neglected in the enactment of legislation to alleviate the problems of the totally disabled under 65. Both the Federal and State Government are equally guilty of this oversight. It can be truthfully said that this group of citizens is the only group forced to live on fixed incomes. To supplement their incomes, if possible, would be to jeopardize their social security eligibility and classified as totally disabled that cannot engage in gainful employment.

In December, 1971, we polled our membership by a confidential questionnaire to establish statistics to be used as a basis or guideline in determining the economic status of the State's totally disabled citizens under 65 years of age. We came up with the following information on an average basis of which only the most pertinent and applicable figures are presented herewith as being relevant to the issue.

The average yearly income of a totally disabled person under 65 years of age is $3200, of which $625 per year is spent on medical needs and expenses. Their average property tax bill is $718 per year. Adding these two figures together, one receives a total of $1,343 per year for property taxes and medical expenses. This places their living income at $619 per year below that permitted by County Welfare for a family of two. However, inasmuch as County Welfare does not take into consideration a person's legitimate medical expenses or recognize same for establishing eligibility, they do not qualify for County Welfare and the subsequent benefit of the Medicaid Program or food stamps.

Approximately 77% of the totally disabled under 65 years of age in New Jersey are property owners and, hence, taxpayers. The remaining 23% are paying rent. Of the property owners, 48% have mortgages. Said mortgages average about $6,831 per property. Of those living in a family, other than the disabled, 77% are unemployed.

As of 1971 there was an estimated 65,000 totally disabled citizens in New Jersey between the ages of 18 to 64 inclusive. This is an estimate from a survey and report conducted by Rutgers University in conjunction with the need for rehabilitation improvement in the State as recognized by former Governor Hughes' special commission delegated to submit such a report. The actual figure of those receiving social security disability benefits in New Jersey for this same period was 46,000 persons, by authority of the Social Security Administration.

This is a situation that will not improve but steadily deteriorate as time progresses. It is safe to estimate that one may add by 5,000 to each of these categories for 1972.

With such statistical information, we can no longer see how the State of New Jersey can continue to neglect the plight and problems of the totally disabled residents under 65 years of age. Let it not be said that this fine State has turned its head and closed its eyes on the problems of such persons who for so long have been a basis, in part, of its foundation. Do not relegate them into being secondclass citizens or treat them as outcasts in our supposedly humane society. For too long they have remained the forgotten minority and have failed to receive the recognition they so justly merit. It is about time we all take a much closer look at their problems and take immediate steps to adjudicate the situation.

We therefore recommend and suggest, on behalf of all the totally disabled resident property taxpayers, under 65

years of age in New Jersey, that Senate Bill SCR 5 and/or Assembly Bill ACR 24 be made a part of the Tax Policy Commission report and recommendations and that same be incorporated therein. We further seek the favorable support from all the State Legislators and the Honorable William T. Cahill, Governor of the State of New Jersey.

In closing, I would just like to read this brief letter that I received on the 5th of June from Mr. Jack Voleson, Executive Secretary, New Jersey State Council of Senior Citizens:

"Dear Mr. Miller: As you know, all of the officers and board members of the New Jersey Council of Senior Citizens will be attending the convention of the National Council of Senior Citizens in Washington, D. C., June 8th, 9th and 10th. I want to thank you for accepting the designation to act as official representative of the New Jersey Council of Senior Citizens at the public hearing on the Governor's Tax Program scheduled for June 8th in Trenton.

"Specifically, the New Jersey Council of Senior Citizens urges the Legislature to adopt bills ACR 24 and SCR 5 which would provide property tax relief for the totally disabled under age 65. Sincerely, Jack Voleson, Executive Secretary."

I thank you most kindly for your undivided attention.

ASSEMBLYMAN BEDELL: Thank you very much, Mr. Miller.

Senator Schluter?

SENATOR SCHLUTER: Mr. Miller, I found your testimony to be most eloquent. I do have several questions.

You say that 46,000 totally disabled persons in New Jersey are eligible for and receiving social security, between the ages of 18 and 65. Is that correct?

MR. MILLER: As of 1971.

SENATOR SCHLUTER: As of 1971. Mr. Miller, if we were to multiply that figure by 77%, would that give us the number of home owners among totally disabled persons who are receiving social security?

MR. MILLER: I believe that would be about right, 70% of the 46,000.

SENATOR SCHLUTER: Mr. Miller, the two resolutions which you mention, I understand, would grant totally disabled persons the same $160 benefit which is available to senior citizens in the form of property tax credit. Is that correct?

MR. MILLER: Yes.

SENATOR SCHLUTER: You have studied the recommendations of the Tax Policy Committee and Governor Cahill's modifications, have you not?

MR. MILLER: Yes.

SENATOR SCHLUTER: If this particular group of bills passes the Legislature it would mean that the senior citizens would no longer have the $160 credit as such; this would be a minimum base for senior citizen credit for property ownership. It also includes another formula for senior citizens in getting either credit on their income tax or a rebate. Do you feel that this would be fair for the disabled citizens, totally disabled, in lieu of SCR-5 or ACR-24?

MR. MILLER: Yes, sir. I think the same consideration should be given to the totally disabled that is given to the senior citizen because of the similarity of the circumstances.

SENATOR SCHLUTER: And this is because senior citizens are given their treatment presumably because they are no longer in the labor force?

MR. MILLER: That's right.

SENATOR SCHLUTER: And they are no longer - without being harsh - productive members of society, they have retired and it is society's assumption that they should enjoy the

remaining years of their lives in a little bit of security. Is that correct?

MR. MILLER: Yes.

SENATOR SCHLUTER: Mr. Miller, you have indicated that the average medical payment for persons who are totally disabled, in New Jersey, under 65 is around $625 per year. You say that most of these totally disabled do not qualify for Medicaid. Is that correct?

MR. MILLER: That's right.

SENATOR SCHLUTER: And why is that?

MR. MILLER: Because the county welfare programs do not consider legitimate medical expenses as eligiblity for county welfare.

SENATOR SCHLUTER: In other words, in order for them to be eligible for Medicaid, they would have to be part of the categorical group of disabled.

MR. MILLER: Yes. And I forgot to mention that a great many of these persons have back doctor and hospital expenses amounting to $1,000 or $2,000 with no method or way of paying same.

SENATOR SCHLUTER: Would you say, as a general premise, that the medical expenses of the totally disabled, by the very nature of the fact that they are disabled the medical expenses are greater on a yearly basis than the average senior citizen's?

MR. MILLER: Yes, they are greater because a lot of the difficulties are with chronic illnesses that need constant medical attention; it's not just a cold in the head sort of thing. Many of them are handicapped to such an extent that they need daily and weekly medical attention or treatment and there is no financial recourse and they are not eligible as yet for Medicare. There is no way in which they can get their medical expenses reimbursed.

SENATOR SCHLUTER: Thank you, Mr. Miller.

ASSEMBLYMAN BEDELL: Assemblyman Apy.

ASSEMBLYMAN APY: Mr. Miller, are totally disabled

veterans included in the figures which you have given us?

MR. MILLER: Well, I can't break it down as to whether they're totally disabled veterans in the figure but there are some in the figure. We have members who are totally disabled veterans in our organization.

ASSEMBLYMAN APY: Right. In your canvass then that you've made, this total number that you have given us, would you assume this does therefore include all totally disabled veterans in the State as well?

MR. MILLER: I think they reflect the overall picture of the totally disabled veterans of New Jersey because in following through on this we noticed that the averages do not fluctuate to any great extent.

ASSEMBLYMAN APY: But you don't know of the number what percentage would be veterans.

MR. MILLER: No, I do not.

ASSEMBLYMAN APY: Do you know whether or not in any of the existing State statutes there is a definition of totally disabled?

MR. MILLER: There is a definition recognized by all authorities and that definition is that a person who is totally disabled is a person who because of his or her physical or mental disability cannot engage in gainful employment including homemaking. Now that's a definition recognized by this State and by the Federal Government of a totally disabled person.

ASSEMBLYMAN APY: All right. Now, by that definition, totally disabled would also include persons who are in mental institutions. Now, are those persons included within your figures here?

MR. MILLER: I would say not.

ASSEMBLYMAN APY: Thank you.

SENATOR MERLINO: Mr. Miller, it's a safe observation to make then that the plight of the disabled taxpayer is even greater than that of the senior citizen.

MR. MILLER: I would say so.

SENATOR MERLINO: Thank you.

MR. MILLER: Don't get us wrong. We support the senior citizens 100%, in fact we are a chartered affiliate of the National Council of Senior Citizens; we are an affiliate of the State Council of Senior Citizens. Our program has been endorsed by the Disabled American Veterans in March of 1971. We are also supported by G.R.I.T. the group for repeal of inequitable taxation, and by the State Chapter of D.I.A, Disabled in Action, and also by the South Jersey Association of Multiple Sclerosis.

ASSEMBLYMAN BEDELL: Assemblyman Foran.

ASSEMBLYMAN FORAN: Mr. Miller, first of all I would like to thank you for your eloquent presentation tonight. Secondly, I think your suggestion that this Committee consider part of those two resolutions and pending bills in the Legislature which would help DATA be considered as part of the tax package can very easily meet with some success within this Committee. I can't speak for the rest but you and I have had much correspondence over the last year or two with regard to the Reeds and some other people and I think very, very much and very, very highly of what your aims are, and I think your suggestion has a great deal of merit and I will pursue it.

MR. MILLER: Thank you.

May I suggest, I believe that last year if that bill ACR-108 had been brought to the floor, we were assured the support of over 50% of the State Assemblymen at the time. We just cannot understand. We had communication with the Tax Policy Commission and we brought our problem to them also, and we just cannot understand why this was omitted and no mention ever made. We also have had communications with the Governor in this respect and we just cannot understand because here is a segment of the population that is in dire financial circumstances. And I can assure you that there is not one member of our organization that gets paid. We're incorporated in the State

as a nonprofit organization and exempted by the Internal Revenue Service. There is not one member in our organization who gets paid for his or her services. This organization came about through the failure of my own personal efforts to get the Legislature interested in our problem. I then took it upon myself to organize, feeling that only through representation will the facts be brought to the public and the proper attention given.

Thank you.

ASSEMBLYMAN BEDELL: Mr. Miller, I want to thank you for a very forceful and convincing case in the redress you seek. I want to assure you, sir, not officially of course, but knowing the feeling of the Committee and the feeling of the entire Legislature, that we will attempt to get some of the things you talk about, the problem you cite, integrated into the proposals before us. But whether we can do so or not, sir, I do say that this Committee will attempt to get legislation on the floor of this Legislature to accomplish the meritorious objective you seek.

MR. MILLER: Thank you. We desire no preferential treatment, we just want equality in legislation.

ASSEMBLYMAN BEDELL: We will try to get it for you, sir.

Thank you.

MR. MILLER: Thank you.

ASSEMBLYMAN BEDELL: The Committee would like to call Mr. Robert Goordman, G.R.I.T.

Sir, I might comment that the Committee is aware of the fact that you came before the Committee in Flemington, New Jersey. I would also ask that you not go through the same subject matter. If you care to amplify your position, you are certainly welcome to do so, but your remarks are already in the record.

R O B E R T V. G O O R D M A N: Thank you, distinguised members of the Senate and Assembly. We will not repeat our

talk of last week. We have a new presentation prepared and I would like to read it.

I am Bob Goordman, Chairman of G.R.I.T. This is Chuck VanHise, one of my Associates. We were at the Flemington meeting last week and gave a presentation. Well, it will be a little different tonight, for the sake of the Committee.

We of G.R.I.T. believe that very few people are buying the Sears-Cahill tax proposals because these proposals just add a new tax without getting rid of the old tax. We feel that many people would buy a State income tax if the property tax is completely abolished so that it cannot grow back again. That is, the only way to guarantee low property taxes is to abolish them.

Therefore, we recommend that the property tax be replaced with a "piggyback" surtax on the personal income taxes, corporation income taxes, and social security taxes paid to the Federal Government by New Jersey individuals and corporations.

House Ways and Means Chairman, Representative Wilbur Mills' Revenue Sharing Bill H.R. 14370 explicitly provides for "piggybacking" the Federal income tax. This is H.R. 14370. It will be voted on this month, this week or next week.

Three weeks ago in Atlantic City the New Jersey Bar Association endorsed the "piggyback" surtax on Federal personal income taxes and the New Jersey Bankers Association endorsed a similar tax on corporation income taxes to replace the "hodge-podge" of current business taxes.

We further feel that landlords be required to pass on to tenants, dollar per dollar, whatever property tax reductions they receive on a given dwelling unit. We believe that the Equal Protection Clause of the U.S. 14th Amendment would demand that tenants be given equal treatment with homeowners.

Now I have a few graphs that we've prepared to show

the impact of the local property tax as reported by the New Jersey Tax Policy Committee in 1970. We will use all 1970 figures tonight to be consistent. (See p. 73B)

Now what we have here on this horizontal ordinate - we have adjusted gross income shown. What you see here is in thousands of dollars - $10,000, $20,000, and so on, $50,000 and $100,000. In the vertical ordinate is the percentage that these taxes represent of adjusted gross income.

According to the Sears Report, local property taxes take about 14% of the gross adjusted income. If a person is making $2,000 per year - that's pretty steep, that's like $280 a year property tax. It may not seem much to a person making $10,000 but it's a lot to that $2,000 a year person. Some of Mr. Miller's people belong there. They're really paying a stiff property tax.

Now, bear in mind these averages. Some people pay much more than 14% of their income in property taxes.

Finally, if you will notice down here at the $55,000 a year, that red line, you pay only 2.9% of your adjusted gross income in property tax. Now, we have a proposal based upon the Federal revenues collected in New Jersey. We would like to abolish the property tax and replace it. Approximately - we revised our figures from last week, for a good reason -- we're talking about a 22% piggyback. The Federal Government in 1970 collected about $8.5 million from New Jersey residents and corporations and this year about $10 million.

Well, the property tax in 1970 was $1.92 billion. Therefore, 22.6% of that, the $8.5 million would have raised $1.92 billion. We backed off a bit and we're willing to, let's say, just piggyback personal income taxes, corporation income taxes and social security taxes. This would require 26% of those collections.

Now if you notice this curve, you see the green line which shows what 26% piggyback would be as a percentage

of your gross income, adjusted gross income.

The cross-over salary at which you probably would on the average pay a higher tax under the piggyback is about $25,000 a year. And if you notice, it is not really so bad either. For the guy making $100,000 a year it is only about 8.6% of the adjusted gross income. Of course, right now he's only paying about 2.5% or 3%. You can see that would give considerable tax relief to the low income people. A person making $10,000 a year would pay around $400 in place of the property taxes; a person making $2,000 a year would pay roughly 2%, 1.8 to 2% of his income. That's about $40.

We have another chart here - let's turn it around.

First, I would like to show it to the Committee. The red line is the Sears proposal - that is the Sears-Cahill proposal. You see that the cross-over point on the Sears proposal is up around $50,000 a year where under our piggyback proposal you have a 26% and a 35% piggyback. The 35% piggyback would not piggyback social security, only corporation income and personal income. That means 35% of whatever you pay Uncle Sam now in personal income taxes.

At about the $50,000 a year point you would start paying more under our 35% piggyback. Under the 26% piggyback you probably would never pay as big a percentage even at the higher income levels as the Sears proposal would have you paying. The point is, under the 26% piggyback you would be paying 26% of your personal income tax and your social security tax and the corporations would pay 26% of their income tax to the Federal Government and 26% of their social security. They pay roughly half the social security.

Now, I would like to show this to the audience. The red line is the Sears proposal. The green line - oh, by the way, this curve is different in that this green line now includes all state taxes and the piggyback combined, so it would be your total tax bill. That will be what you

will pay out of your income tax - that percentage there. This includes sales taxes and everything. The Sears proposal, which includes everything - and here is our blue line which is 35% piggyback.

Now, this would give guaranteed relief to retired people, the disabled. The point is, why have a tax system that penalizes people in financial plights in the first place? Why tax a guy who is out of a job? This is what the property tax does.

By the way, the Bar Association and the Bankers Association - I have copies in the envelope here quoting their endorsement of the piggyback. Thank you. (See p. 77 B)

ASSEMBLYMAN BEDELL: Thank you, sir. Please remain seated.

ASSEMBLYMAN APY: I haven't had a chance to look at the basis for your quotation on the Bar Association's position; however, I don't believe they have actually endorsed it. What they did do, in considering the income tax, was to say - and I quote - "we have reservations with the Committee's" - referring to the Sears Committee - "rejection of the piggyback alternative, and it seems to us that the advantages of a piggyback system were inadequately explored." And they go on to recommend that the Committee - by that they mean the standing Committee on Tax Legislation - give further study to the piggyback system.

So that I don't think it was a categorical endorsement of the piggyback, it was a position as I have just indicated. And I contrast that with one or two other things that they did say, where they specifically agreed or disagreed with the recommendations of the Tax Policy Committee.

ASSEMBLYMAN BEDELL: Thank you very much, Mr. Goordman.

The Committee would now like to hear from Mr. Carmen Armenti, former Mayor, City of Trenton, New Jersey.

C A R M E N A R M E N T I: Thank you very much, Mr. Chairman and distinguished members of the State Legislature.

I am a private citizen residing in the City of Trenton, County of Mercer. I am here and I appreciate this opportunity to appear before you to express my concern and endorse what I think is probably the most dramatic long-lasting program that would make a real difference in the survival of the municipalities in the State of New Jersey.

I am not going to burden you with many statistics. My statement is of a general nature. But I know that you run through numerous ideas, thoughts and statistics, and I want to impress upon you that for many, many years we've been talking about tax reform.

Gentlemen, I can only tell you, and I know from some personal experience, that you are never going to find the perfect tax reform program. What I think the citizens of New Jersey need and want at this particular time is a feeling of a sense of urgency, the moving ahead with the Governor's tax program.

The program, as I've gone through it, the many brochures and the papers that are put out, I feel the advantages far outweigh any of the problems or the arguments against the tax proposals.

I know that Mr. Miller has spoken about the senior citizens and their problems, the disabled veterans. In this tax reform program I feel there is an advantage to every citizen, no matter what county, throughout the State of New Jersey. My feeling is that after years and years - and I've seen it with the revenue-sharing plan - of work by the Mayors of this Country and our Mayor today, Mayor Holland - he has urged and worked for bringing about this proposal, revenue sharing. We started back in 1962 and here it is 10 years later with no direct benefits

from that program. We thought it was going to be a cure-all and it is not.

I know that I have felt in the last couple of years that there has been a sensitivity by this Legislature and the recent previous Legislatures to the problems of the cities. But there have been no long-lasting benefits. We've been treating the problems of the municipalities in this State with band-aid medication. And I feel that the plan for tax reform presented by Governor Cahill is a giant step toward bringing about the equities that are necessary if we are to survive in New Jersey on a long-lasting basis.

So I would urge that the Legislature heed the words of not only my Mayor and the Mayors of the cities like Trenton but the municipalities throughout Mercer County and the State of New Jersey and urge that they take immediate action.

I am concerned that by the time some of these proposals are passed and bills get through committees that by the time the benefits come back to the citizens there is a need for additional medication. I think we have a perfect opportunity with a courageous Legislature that can move ahead to bring about a decent tax reform in the State of New Jersey.

If there is a suggestion that I might present to you, it would be for a segment of citizens throughout New Jersey who I feel have been overlooked for many, many years, and I know there have been some advances for their cause, but I feel that the senior citizens throughout the State of New Jersey have been overlooked for many, many years. At the time we fought for the additional $80 increase for them, from $80 to $160, - by the time we received that additional $80, through inflation that increase was wiped out.

What I am suggesting at this particular time for your consideration is that possibly we keep that $160 in

for the senior citizens in addition to the tax reform benefits they would receive through the tax reform programs. I don't think it's too much to ask for the people who have worked so hard and who really need a helping hand. In my estimate, as I see it, it would mean about an additional $20 million to take care of the worthy senior citizens of our State.

That, in effect, is my statement, and I appreciate the opportunity to appear before you.

ASSEMBLYMAN BEDELL: Thank you, sir.

Senator Merlino, any questions?

SENATOR MERLINO: No.

ASSEMBLYMAN BEDELL: Senator Schluter?

SENATOR SCHLUTER: Through you, Mr. Chairman.

Mr. Armenti, you made a comment that this would benefit everybody. There are some municipalities in Mercer County where the actual dollar figures come out where some of the residents might not be as well off, particularly those in the higher income brackets. I wonder if you could expand on your statement that this program would benefit everybody in view of the fact, for example, in Princeton, where there is very little property tax relief and some of these people in the higher income brackets will be paying an income tax where they haven't been paying it up to now.

I wonder if you could elucidate on that.

MR. ARMENTI: As I mentioned earlier, Senator, I don't think that you're going to find the perfect plan. But I think if the inequities that we face now through property taxes are erased through this type of proposal, - by the same token, there is some feeling that business would also benefit in some areas. But I would think that the graduated income tax, the money coming back through the income tax would far offset whatever benefits some people might feel they're getting. So I, very frankly, feel that you are never going to find that perfect program.

But, nevertheless, for the State of New Jersey, for the over-all good, the direct benefits received by the citizens of the State, I think, far outweigh the disadvantages in the tax reform program.

SENATOR SCHLUTER: As a former Mayor, do you admit the fact that there is a certain amount of decay in the cities, and, if you do, would you say that this is on the rise?

MR. ARMENTI: There is no question about it, the decay. And what our hope has been in the City is to try to maintain some normality here. But the way the tax situation is - and it's very close to confiscatory - there is no new money for new programs to erase that decay. I think that the benefits that a city like Trenton would receive would give the city administration some flexibility in moving toward new programs to erase the decay in the cities. Right now there is just no elbow room to do anything new but just provide the basic, normal services that are necessary to serve our citizens.

SENATOR SCHLUTER: Do you feel, Mr. Armenti, that this decay has started to spread to the suburbs or would spread if it were not corrected?

MR. ARMENTI: I don't know from a physical standpoint, but there is no question, I feel, but what the suburbs are going to face, maybe on a smaller scale, the same problems the cities like Trenton are facing in school taxation, the building of new schools, play areas, streets, roads. They're starting to grow; they're having growing pains and they are going to be faced with some very important decisions. And the tax rates are leveling off very close to the urban cities.

SENATOR SCHLUTER: Thank you, Mr. Armenti

ASSEMBLYMAN BEDELL: Mr. Armenti, my question somewhat follows the line of reasoning of Senator Schluter.

You said that this reform proposal will be constituted as an advantage to every one. What might the advantage be to a property owner who finds his tax

increased and is now saddled with an income tax? What would his advantage be under this proposal?

MR. ARMENTI: Well, in the City of Trenton on a home assessed at $10,000 the property tax savings would be about $406. If that income was at $10,000 that income tax would be $100, making it a net plus.

ASSEMBLYMAN BEDELL: May I ask you, sir, what the date of your figures is?

MR. ARMENTI: I believe this came out today.

ASSEMBLYMAN BEDELL: Is this predicated upon the tax reform proposal, would you assume, the figures in there, the Tax Policy Commission Report?

MR. ARMENTI: I don't know - People for Tax Reform.

ASSEMBLYMAN BEDELL: Then, sir, as a former public official, I am sure you are aware of the fact that these proposals are not going to go into effect until 1974. Would you agree that those figures might be quite different in 1974?

MR. ARMENTI: This is why I said earlier, Assemblyman, that I feel that there is a need for a sense of urgency in moving ahead with this program. I also recognize that there are constitutional amendments that must be placed on the ballot in November and I know there is the mechanism that has to be set up. You and I know, being very practical people with some experience in the political arena, that 1974 seems to me a realistic date being that there are going to be many members of the Legislature up for re-election in 1973. I would hate to see a program such as this, so important to all the citizens, regardless of what party, be bogged down in political arguments, if we were to move any faster than that, prior to November of 1973. But I, for one, would like to see the Legislature move as fast as possible.

ASSEMBLYMAN BEDELL: What I'm saying, sir, is, in light of the fact that educational costs alone are

increasing in the area of 8% a year, isn't it conceivable that the figures that you are referring to, as opposed to the time the plan will go into operation, might or certainly will be conceivably different?

MR. ARMENTI: Absolutely. It has happened in the past when we looked for benefits, by the time we got those benefits we needed additional medication. This is what I'm referring to.

ASSEMBLYMAN BEDELL: Referring again to my first question, what might the advantage be to a property owner in a community who finds his property tax is raised under this proposal and he also has an income tax imposed upon him?

MR. ARMENTI: Of course, as I understand it, there is going to be a built-in situation where the tax coulnd't be increased unless by constitutional amendment, which I think would safeguard that type of increase.

ASSEMBLYMAN BEDELL: You are aware, of course, sir, that when we talk about $1.00 per hundred we're talking about the State's end on an equalized valuation depending upon the assessment of properties in a given community. If they're under-assessed, not at 100%, they could conceivably be paying more than $1.00 per hundred.

MR. ARMENTI: Even with the safeguard of the increase in the constitutional amendment?

ASSEMBLYMAN BEDELL: Yes, sir.

MR. ARMENTI: That I'm not aware of. But again it seems to me that with some movement, some recommendations or suggestions, that could be corrected. I don't see that as a major problem that we can't correct, when you look at the over-all program.

ASSEMBLYMAN BEDELL: One further question, Mayor, and I am asking these for the edification of the Committee. Sometimes we have to play the part of the devil's advocate to elucidate the answers we're trying to find.

In the light of the performance of some of the

cities in our State, with regard to O.E.O. funds - I think everyone is aware that they haven't been handled, in most cases, as properly as they might have been - at least the public reaction is that they were handled rather poorly - how do you anticipate the block grants anticipated under this fund for urban centers will not find a similar fate?

MR. ARMENTI: Very simply. I have the utmost confidence in the people who administer - again I'm talking locally, in the local area -- administering the funds properly. I think there are enough checks and balances - again I'm talking on a local situation here in my own city. The government has been run quite ably. What we haven't had are the funds to move in a direction where we could bring about the programs that are necessary to rebuild the city, an old city.

ASSEMBLYMAN BEDELL: Mayor, I certainly don't want to put you in an embarrassing position so this will just be an area where you might venture an opinion, if you would, sir, or if you care to.

Have you any idea how much of the federal funds in the O.E.O. area have been fused into the Trenton area?

MR. ARMENTI: You're talking about poverty programs and --

ASSEMBLYMAN BEDELL: Yes.

MR. ARMENTI: I don't have the exact figures but several million, as I recall.

ASSEMBLYMAN BEDELL: Has that in any way, to your mind, stopped the urban sprawl from the city or from Trenton?

MR. ARMENTI: If you're talking about a physical situation, no; but I think it has done a great deal from a social situation. I think it has helped it a great deal from a social situation.

ASSEMBLYMAN BEDELL: Do you believe, sir, that the State is now rendering --

MR. ARMENTI: One of the reasons why it hasn't prevented the urban sprawl, in my opinion, is the fact that we haven't had tax reform. It's very difficult to run a major city - I believe our city's administration budget is around $32 million now and tax assessment is around $14.00 per hundred. It's very difficult to keep any of the major industries or citizens from moving.

ASSEMBLYMAN BEDELL: Thank you.

SENATOR MERLINO: I would like to say, Mr. Chairman, that the purpose of this Committee is to listen and get information from the people here to present it this evening. That's why I'm not asking questions. I want to learn something, I don't want to say anything.

ASSEMBLYMAN BEDELL: That's why I'm asking the questions, Senator.

Thank you very much, Mr. Armenti, for spending this time with us.

MR. ARMENTI: Thank you very much.

ASSEMBLYMAN BEDELL: I would like to call upon the Honorable Arthur J. Holland, Mayor of the City of Trenton.

A R T H U R J. H O L L A N D: Mr. Chairman and gentlemen: Trenton is faced with a fiscal crisis which is the direct result of an escalating property tax affecting all of our residents.

- Trenton's tax rate has increased more than 60% over the past 11 years to a level of 7.15 or 8, which is far above the rates of her surrounding townships, which range between 2.90 and 6.19.
- Over the past 10 years, Trenton's true valuation has shrunk by $46 million - a factor which can be related to this 60% rise in tax rate. This 12% true valuation decrease compares with an average increase of 113.7% over the same period among the twelve other municipalities in Mercer County.

- Trenton's tax rate, moreover, purchases a lower level of services than the surrounding municipalities provide. Indeed, over the recent past, Trenton was forced to cut back 13% in public health and 25% in street repair and maintenance due to financial constraints.
- The number of abandoned properties in the City increased from 188 in 1969 to 863 in 1971.
- This tax structure has forced many industries out of the City and has contributed to the exodus of many of Trenton's more affluent citizens, thereby touching off a continuing cycle of economic decline.

In large part, therefore, many of Trenton's crises are due to an inequitable and inelastic property tax structure which penalizes those municipalities and taxpayers who are least able to afford it. Trenton is the poorest municipality in Mercer County and has the highest property tax rate. Princeton Township is the richest municipality in Mercer County and has one of the lowest property tax rates.

Such a system of inequity demands revision so that the people with the least ability to pay do not have to bear the heaviest burden. Trenton and its taxpayers should not have to pay twice as much for half the level of services.

While I have some reservations about their specifics which I shall explain in a moment I therefore support the substance of the Governor's tax reform proposals. Their beneficial effects for our City are evident.

In fiscal terms, as can be seen in this bar graph, Trenton's total property tax rate will drop by approximately 50% from an equalized level of $7.15 per $100 to a rate of approximately $3.50. Individually, the municipal purposes rate will drop 33%, the school rate will drop 66% and the county rate will drop 55%. The presently high, even confiscatory, tax rates Trenton is suffering under will, in other words, drop dramatically.

In non-fiscal terms, however, the "return to cities" like Trenton will be even more important. This tax reform will eliminate the present tax disincentives which are driving industry and business away from our central cities. It will start to open housing opportunities in the cities by making it easier for the private housing market to operate and by effectively lowering rental rates. The tax reforms could, in other words, provide the basis for economic and social renewal in our cities.

I am especially pleased by the change the Governor proposed that would give 75% of the landlord's property tax savings to the tenant in the form of income tax credits. This goes far towards assisting a very large percentage

of the residents of Trenton who otherwise would not have benefited sufficiently from the property tax reduction.

Takeover of Educational funding

I am in accord with the Governor's proposed program of providing for State takeover of the financing of public education in New Jersey. In doing so, the tax reform proposal adheres to the sound logic of several higher courts throughout the nation, which holds that the local property tax should not be the prime means of raising educational funding,-- or, in other words, that the quality of a student's education should not be dependent upon the tax wealth of the district in which he finds himself. Quality of education is of state-wide and national importance. Children in Trenton's schools should be entitled to the same basic level of instruction as found in schools in Princeton, Cherry Hill or Short Hills, regardless of the community's wealth.

I further support the means by which such a State takeover would be effected -- the $1.00 state-wide property tax for education, and use of revenue from the personal income tax. This seems to me to be a somewhat moderate blend of two means of raising revenue. With regard to the statewide property tax, the City of Trenton currently levies a rate of $2.92 per $100. for educational purposes alone, and therefore would realize a reduction of almost two-thirds.

The income tax is to be welcomed as a long overdue, progressive replacement

tax. The regressive nature of the current property tax is well-documented. The Tax Policy Committee noted that people with incomes of under $3000 pay roughly 14.6% of their income in taxes, while those earning over $25,000 pay 3.3%. The income tax, of course, increases with ability to pay.

Revenues from the income tax would also presumably be used to support Municipal Block grants for our hard-pressed cities, and those in wealthier districts might ask why they should be asked to pay for such a program. In emphasizing the fact that the problems of the older central cities are those of the State, and that urban blight often recognizes no city limits, I need only give the example of East Orange, where in 1971 nearly one-half of those arrested were not residents of that City and of the nearly 25% were residents of Newark.

Many taxpayers commute to their businesses in the larger cities, and therefore should recognize a vested interest in their survival. Nearly 65% of Trenton's jobs are held by non-residents, who benefit daily from the City's services, but now pay substantially nothing to support them. (Dramatic evidence of the difference between the capacity of urban and suburban residents to pay taxes is seen in these statistics: The estimated average annual wage of Trentonians who make their living here is $6,179., while the average annual

wage of non-Trentonians who earn their living here is $9,667., a difference of over 50%.)

Finally, an additional rationale for supporting implementation of a State income tax is that, under Wilbur Mills' revenue sharing plan, the one we all recognize as the one most likely to be passed, the State of New Jersey would receive nearly $40 million yearly for the next five years, were it to adopt an income tax.

I have two charts here, showing the income brackets in which there are net tax savings for those in a family of four, owning a $10,000 or $20,000 home in Trenton. As you can see, the majority of Trenton's residents, long tax-burdened, have much to gain by the proposed reform.

This is a break-even line, as is the one on the other chart. So, a man with a family of 4 owning a $10,000 home in Trenton and making slightly under $20,000 would break even when we take into consideration the amount of real estate tax he would pay and the amount of income tax he would pay under the proposed reforms as outlined in the Governor's message to the Legislature. And the other chart shows the same principle in operation for a family of four owning a $20,000 home in Trenton, where the break-even point is around $25,000 in income. Obviously the vast majority of Trenton residents have much to gain.

Senior Citizens Benefits

Trenton contains a large number of senior citizens -- over 12% of the City's population is over 65 -- and, well aware of their special problems, we adhere to the proposed plan to extend benefits to them through use of income tax credits and rebates. Cities, such as Trenton, should not be penalized for providing housing for these citizens, and therefore, as recommended by the Governor, the program should be financed by the State.

Surtax on excess Business Gains

On the question of a surtax on excess business gains due to property tax reduction, it is our hope that the proposed legislation, granting exemptions for those businesses located in areas where taxes have been unduly high in recent history, will be accepted. Such a program could provide an incentive for businesses to remain and return to our central cities.

Payment in lieu of taxes

We feel strongly, too, about the issue of payment in lieu of taxes on State and County-owned property within a municipality. The State of New Jersey's property in Trenton, valued at over 50 million dollars, comprises 10.5% of the City's total valuation, while the County's holdings are valued at over 2.5 million dollars. Both are now tax exempt.

And I should inject, I am well aware and most appreciative of the payments for services rendered by the City that the State has given Trenton in recent years.

The services offered by these two units of government are available to all citizens in the State and County, respectively, and therefore the cost of providing municipal services to such institutions and agencies should be shared by all. The tax reform proposal of levying a tax at the municipal purposes rate seems most logical, and would produce under Trenton's current rate a combined total of over $800,000, from which would be deducted, of course, the $560,000 in the case of the State which we are now receiving.

In general, therefore, we in Trenton strongly support the general thrust and most of the particulars of the Governor's proposals. That's being presumptuous in saying "we in Trenton" but on the basis of the reception received last night in the Trenton Council Chamber when we made a presentation on the Governor's proposal to representatives of our civic associations, I feel confident that I do speak for the vast majority, if not indeed most all the people of our City.

There is, however, one major problem. That is the problem of elasticity of the fiscal ability of local government to meet future needs.

Before I get into the specifics of what this problem

means to Trenton, however, let me state that we are strongly in favor of placing a limit on the use of the local property tax and would welcome the proposed limit of $1.50 for municipal purposes, exclusive, of course, of the amount that would be allowed for reserve for uncollected taxes and for payment for debt service. We believe that a limit on our property tax is essential for Trenton to become competitive with her neighboring suburbs and is essential for the economic renewal of the City.

However, Trenton has been experiencing a rise in municipal costs averaging $2.6 million yearly, during a period of decreasing true valuation. We do not foresee this trend reversing itself in the immediate future, no matter how many additional economies we are able to effect.

In light of this financial situation in which we find ourselves, we need some assurance that the Governor's proposals as a whole will allow us to meet these foreseeable rises in municipal costs due to inflation and other factors. The general impression is that the present tax reform proposals will eliminate the financial pressure on the cities. This is not so.

If the tax reform proposals were all implemented this year, we have calculated that Trenton's rate would still have to be approximately $1.75, exclusive of reserve for uncollected taxes and debt service - in other words, 25 points above the $1.50 - to maintain the same services

that we provide now. If reserve for uncollected taxes and debt service is included, as would be allowed by the proposals, that municipal purpose tax rate would be approximately $2.24. As you can easily see, this is much above the $1.50 limit proposed by the Governor.

These calculations were made on the assumption that welfare and court costs will be taken over by the State, that both the State and the County pay taxes on their properties, and that the proposed municipal block grant program were enacted.

To state the problem in another way, if the $1.50 limit were adhered to Trenton could experience by 1975 a deficit of over $3,000,000. That's in terms of the proposed rates. We still would be obviously substantially better off than we are today, monumentally better off.

Therefore, while we believe strongly in the general thrust of the proposals and in the concept of property tax ceilings, provision must be made for increased costs without early resort to referendum, keeping in mind here the unhappy history of the sales tax. The Legislature had dedicated 10% of that revenue to municipalities and later put a ceiling of $25 million on it and as a result the expected relief did not continue, although its first impact was substantial, and then in 1966 we were able to reduce our over-all local tax rate, along with economies effected, by 54 points.

At this point, the only way we can see in which to alleviate the dilemma, other than placing an automatic "cost of living" allowance in the municipal rate ceiling, is to eliminate one of the qualifications on the use of the municipal block grant formula, which will cost Trenton $800,000 this year and $2,000,000 in 1975 were the program implemented.

The qualification about which I speak is the proposal that the maximum grant allowable to any municipality be equal to one half of the sum of the previous year's tax levy plus municipal aid.

What this qualification means in Trenton's case, is that the block grant formula, which is designed to equalize tax capacity, never comes into effect. This, moreover, is also the case for 30 other municipalities around the State, including most of its larger cities.

In other words, although the entire design of the block grant program is to equalize the tax capacity of the less affluent municipalities with the State wide average, the very municipalities which need to have their tax capacity equalized the most, the large cities, never get the required assistance. Their tax capacity is never equalized, because this limitation never allows the basic formula to come into effect.

Were this 1/2 Tm limitation to be eliminated, however, Trenton's

elasticity problems would be greatly lessened. For the first year, if this qualification were eliminated, Trenton's tax rate would only have to be $1.52 (exclusive of reserve for uncollected taxes and debt service) instead of the $1.75 it would otherwise have to be to maintain the same service level. Over time, of course, the upward pressures would still be there, but they would be of more manageable proportions. (In 1975, for example, the tax rate would be approximately $1.90 if the 1/2 Tm limitation were eliminated, as opposed to the $2.52 rate it would have to be otherwise).

Therefore, Trenton, for herself and for the other 30 municipalities who would be immediately affected, urges the elimination of the 1/2 Tm qualification on the disbursement of block grants. We urge instead the complete reliance on the proposed block grant formula which, as you know, is designed to equalize tax capacity. The City of Trenton maintains that to withhold the use of a formula designed to equalize tax capacity from just those municipalities which need it the most is grossly unfair and cannot be tolerated.

In Trenton's case, moreover, true property tax reduction down to the levels proposed in the Governor's legislation cannot become a reality without this alteration in the block grant program. We, therefore, respectfully urge you to consider this proposed alteration. We intend to make a formal

presentation to the appropriate legislative committees to this effect once the legislature convenes.

Also in our minds is the impending problem of funding for 1973. We urge that a municipal grant program be instituted next year, or at least that a hold harmless provision on current State aid to the City be enacted.

The question of linking municipal aid to a federal revenue sharing program also provides cause for concern. It is my strong feeling that the municipal aid grant should in no way be altered by implementation of a Federal revenue sharing plan, and for several reasons. Firstly, Federal revenue sharing, as now proposed, could be used in only three areas: public safety, transportation, and environmental protection, and therefore could not be used for property tax reduction. Secondly, the State block grant proposal aims at equalizing capacity within the State. Federal revenue sharing funds, too, will be distributed partly on the basis of need -- in recognizing distinctions between City and suburban fiscal conditions. Yet most of New Jersey's municipalities would receive some federal money under the plan -- not just the large central cities. Thus in cutting back amounts of State municipal aid to large cities equal to Federal revenue sharing funds received, the State

would in effect be reversing the intent of both programs, allowing the suburbs to regain their edge.

--A last concern we have regarding the block grant program is that none of the specific "superstructure" of grant programs alluded to in the Tax Policy Commissions report has been written into legislation. The Commission stated that such a superstructure of grant programs should be created to meet special needs (such as in areas of housing or unemployment) which are not covered by merely equalizing tax capacity. The central cities have such special needs; we are therefore concerned that no further mention of this superstructure has been made in the legislation.

As you can see, we have a number of specific reservations about the Governor's program. As I stated earlier however, I endorse strongly the goal of property tax reform and the Governor's program as a whole. We hope that our suggestions will assist with the achievement of the goal of massive property tax reduction and the institution of a balanced tax system based on capacity to pay. Such reform will give new life to our cities and strengthen our counties, state and nation.

ASSEMBLYMAN BEDELL: Senator Merlino?

SENATOR MERLINO: I came to listen

ASSEMBLYMAN BEDELL: Assemblyman Foran.

ASSEMBLYMAN FORAN: Mayor Holland, apparently I am the devil's advocate who picks on the Mayors of large cities. I have asked all of the Mayors, Mayor Gibson, Mayor Dunn, Mayor Sheehan, and so forth, and I ask the same question of you although I understand that I might have a partial answer.

Can you tell me the last time Trenton was re-evaluated to true property valuation?

MAYOR HOLLAND: It took effect in 1967. We had a net increase of $26 million. That's reflected in the net decrease of $46 million.

ASSEMBLYMAN FORAN: Do you agree that the other hard core cities or the municipalities of this State should be revalued in order to equalize the State-wide property tax as proposed in the reform package?

MAYOR HOLLAND: I think revaluation is something which should be conducted regularly by every municipality. How often, of course, one can get varying opinions on. I would say certainly approximately every ten years or so.

ASSEMBLYMAN FORAN: I kind of knew the answer when I asked the question there because I'm a little bit closer to Trenton, I suppose, than I am the other cities. But there have been some cities that have not revaluated since 1958 and even then they weren't sure.

Thank you very much.

ASSEMBLYMAN BEDELL: Senator Schluter.

SENATOR SCHLUTER: Mayor Holland, have you and your staff had an opportunity to examine the site value concept?

MAYOR HOLLAND: Yes. I was at first inclined to support that because obviously it's intended as an incentive to businesses to move into vacant buildings in our city and in all the old central cities and to improve upon vacant land. But I would think that value is far outweighed by, even though it's over a five year period,

the completely applicable nature of the 50% valuation. I don't see how we could absorb such a decrease in valuation.

SENATOR SCHLUTER: I see. Another question.

MAYOR HOLLAND: Let me add to that. The reason is that we don't have enough vacant buildings or land. We have certainly far more than our share, more than we like, but I don't think we would have enough to compensate for the drop in valuation which would result from the over-all application of the 50%.

SENATOR SCHLUTER: Mayor Holland, what did you say the percentage drop in the property rate for Trenton would be?

MAYOR HOLLAND: Approximately 50%.

SENATOR SCHLUTER: Approximately 50%?

MAYOR HOLLAND: That includes municipal, school and county.

SENATOR SCHLUTER: But it includes the block grant, the in-lieu payments and --

MAYOR HOLLAND: It assumes -- that's on the present formula. This first year we would not be seriously adversely affected. But as we pointed out, we would be over a period of years. It assumes the State would take over welfare and payments by the State and County for, in lieu of taxes, property owned by them.

SENATOR SCHLUTER: I don't recall exactly but I thought it was closer to 60%. But, be that as it may, with such a drop do you see property values in Trenton starting to rise again?

MAYOR HOLLAND: I see people knocking on the doors trying to get in. It's happening now to some extent as property values are getting out of line in the townships. But it would mean that people who are considering leaving would stay or be able easily to sell their property to someone who could maintain it in the condition that a substantial property owner today can.

SENATOR SCHLUTER: But basically you say property values would tend to rise.

MAYOR HOLLAND: But I realized when I raised the question of the one-half TM formula with the Governor and with Judge Garvin and others that the Governor and the Judge and, I assume, the Legislature are probably counting on values going up and upon new ratables which would be attracted as a result of the decreased rate. But, of course, I can't count on that.

SENATOR SCHLUTER: And the question was, do your projections for 1975 and so on contemplate increased values?

MAYOR HOLLAND: We contemplate relative stability. We discussed this with Dr. Reock at Rutgers and he is a little more optimistic than we are. But in view of that decline over a ten year period, and since we are not sure now of reform, even given this recent increase and attraction for our properties, I think it would be imprudent for us to count on increased valuations of any substantial nature.

SENATOR SCHLUTER: Thank you.

ASSEMBLYMAN BEDELL: Assemblyman Apy.

ASSEMBLYMAN APY: Mr. Mayor, I very much appreciate your statement. I think it is the most complete and most detailed analysis that we've had to date of the block grant program.

MAYOR HOLLAND: Let me interrupt, Assemblyman, to give credit to these gentlemen who are here with me. If I didn't have the staff, I couldn't have done it.

ASSEMBLYMAN APY: Right. Some of the other Mayors were before us as much as ten days ago and perhaps it came on a little quicker than it did for you. And you point out the fact that the superstructure of grant programs is not included in the legislation. Inasmuch as we have 58 bills right now, if it's all right with you, we will defer that bill.

MAYOR HOLLAND: When I saw the income tax bill alone, it's quite a book, I realized what the problems are. And we have been trying to explain this to our constituency.

ASSEMBLYMAN APY: Let me ask you a more specific reaction directed to the block grant program, inasmuch as your remarks in large part were devoted to it.

In the bill there is set forth the fact that any municipality has to submit a program, that the program will then be measured, a performance review, an analysis, and that if the program does not meet the standards set that the block grant can be eliminated, the monies can be withheld by the State. Would you anticipate any sort of difficulty with that sort of State supervision in the block grant program?

MAYOR HOLLAND: Well, while it's most helpful to have discretionary use of funds, I have always been a strong advocate of very close supervision over the expenditure of such funds. In fact, I was not an early convert to revenue sharing. I continued to support categorical grant programs because there are so many strings attached to them. But I think today, the range of problems and the way they flow, I think it is important to have as much discretion as possible. I would say that at the very minimum there be a very close post-audit, and to the extent possible I would build in guidelines as you suggest there.

ASSEMBLYMAN APY: You are aware that the bill does have these standards.

MAYOR HOLLAND: I wasn't, no.

ASSEMBLYMAN BEDELL: Thank you, Mayor.

MAYOR HOLLAND: Thank you very much, gentlemen.

ASSEMBLYMAN BEDELL: Mr. Walter Ellis, Jr., New Jersey Farm Bureau.

W A L T E R E L L I S, JR.: Mr. Chairman, Senators and Assemblymen, and ladies and gentlemen:

My name is Walter Ellis, Jr., Trenton, New Jersey. I am the owner and operator of a family farm at Crosswicks. I appear here today as the vice president of the New Jersey Farm Bureau; as chairman of the Legislative Action Committee of the Farm Bureau; and as chairman of a special committee appointed by the president of our organization to study the proposals of the Tax Policy Committee.

In the interest of brevity, I am filing herewith a copy of the report of our study committee, and ask that it be made a part of the record of this hearing. My purpose here tonight is to summarize the views of the Farm Bureau on the package of bills that have been submitted to the Legislature by Governor Cahill to carry out the recommendations of the Tax Policy Committee.

As many of you know, the New Jersey Farm Bureau is a non-governmental, non-profit association of slightly more than 4,000 farm families in 20 counties, financed entirely by dues that are paid voluntarily by those member families. My appearance here tonight has been authorized by the 26-member Board of Directors of our statewide organization, after careful consideration of the issues involved.

We appear here tonight to give our strong and whole-hearted support to the package of bills before the Legislature, designed to bring about meaningful tax reform in New Jersey. Later on in this statement, we will point to some areas that we would prefer to see changed or amended in the package; but they are only suggested areas of improvement, and are not intended to qualify in any way our support of the package.

As working, struggling farmers, we have not come to this decision lightly. Like most other people, we are not particularly pleased with the prospect of adding a new tax to the existing arsenal of taxes that are already a burden on farmers as well as all other citizens in this state. Quite frankly, we have approached our study of the proposals with a highly skeptical attitude. We have

done our best to look into all of the ramifications of the various bills that comprise the package.

We have carefully weighed the advantages and disadvantages from the standpoint of farmers; and we have concluded that the great majority of farmers will benefit from the passage of this package of bills.

For many years, Farm Bureau has been in the forefront of responsible organizations seeking to reform the tax system by broadening the tax base and relieving the pressure on the local property tax. The property tax on farms had become so oppressive by 1960 that hundreds of farmers were being forced to sell their farms because they could not earn enough from farming to pay the tax. We then spearheaded a movement to secure relief through the Farmland Assessment Amendment to the Constitution, and the subsequent Farmland Assessment Act of 1964. This legislation has been highly effective in slowing down the rate of increase in the tax on farmland, and in cutting in half the rate of loss of farms. We had been losing farms at the rate of two per day, and we are now losing them at the rate of one per day. In spite of the Farmland Assessment program, which has kept the assessed value on farmland down to a reasonable farm value, the rate of the tax has continued to escalate, and New Jersey farmers are still paying the highest taxes per acre of farmland of any farmers in America-$20.78 in 1970, according to the U.S. Department of Agriculture.

We have always realized that the Farmland Assessment Act was only one important step in the development of public policies that can help save farms in New Jersey. For that reason, we sponsored in the Legislature a resolution to create the Open Space Policy Commission, which made a series of recommendations that would help preserve farms in this state. We were in the forefront of those who pushed for enactment of the sales tax, hoping and trusting that the levying of this tax would bring relief to the property owner. More recently, we suggested that a special Commission On The Future of New Jersey Agriculture be appointed. This idea was endorsed by Governor Cahill, and the Commission has been in operation in the Department of Agriculture for several months.

Our experience with the passage of the sales tax has not been encouraging, since it brought only a one-year pause in the escalation of the local property tax. That is one of the reasons we have been so skeptical of tax reform through enactment of a personal income tax. We wanted to make sure that we had no repeat of what happened with the sales tax.

Historically, Farm Bureau members have favored tax reform by broadening the tax base; but have opposed the income tax; and have stressed the need for reducing governmental expenditures. Last November, county delegates to our state convention adopted the following statement on tax reform: "We recognize the necessity to reform the tax structure of the state so as to greatly reduce the use of and dependence upon the tax on property. We believe the most emphasis should be placed on reducing expenditures; but in no event, should any new broad-based tax be adopted without significantly reducing the property tax on a permanent basis by constitutional amendment."

We are pleased that Governor Cahill has recommended a constitutional limitation on the one dollar, statewide property tax; and a statutory limit by the Legislature on the $1.50 municipal tax and fifty cents on the county tax. But we would be even more pleased, and we think most voters would have more confidence in the reform package, if the Legislature makes it a little more difficult to increase the upper limit on local purpose tax for non-school purposes. We suggest that this Committee either amend one of the resolutions for constitutional amendment, or propose a separate constitutional amendment, limiting the local purpose, non-school tax to $1.50 for municipalities and fifty cents for counties, except the Legislature could increase the maximum by a two-thirds vote of each house. This would leave some room for any future increase that was absolutely essential; but make it more difficult to vote the increase.

We are also pleased that Govenor Cahill did not see fit to agree with the Sears Committee on the proposed amendments to the Farmland Assessment Act. We considered the proposals of the Sears Committee on this subject to be ill-conceived. We believe that if enacted, they would have wrecked the farmland assessment program. The one change in the Act recommended in A-1268 is

a reasonable amendment that we can support. It is quite similar to Senate Bill 620, which has already passed the Senate.

Farmers are affected in two basic ways by the recommendations of the Tax Policy Committee--as citizens and as farm businessmen.

As citizens, farmers will be affected like all other citizens by the recommendations of the Committee.

As farm businessmen, they would be particularly affected by the following recommendations:

- Reduction in the property tax, averaging 45 percent on farmland and buildings.
- Elimination of the unincorporated gross receipts tax of one fourth of one percent of sales.
- Imposition of the personal income tax on net farm income.
- Some increase in sales taxes on professional services purchased for the farming business.
- Increase in the corporation net income tax from 4 1/4 percent to 7 1/4 percent on incorporated farms.

According to the study of the Report submitted by the State Department of Agriculture, the major elements of the package would have the following dollar effects on New Jersey farmers:

1. Farm real estate taxes would be reduced to 44.9 percent on a statewide average, going from $30.6 million in 1971 to $16.8 million, or a net reduction of $13.7 million.

2. Repeal of the unincorporated gross receipts tax would reduce the tax take on farmers by an estimated $571,260.

3. Changes in sales tax exemptions would cost farmers an estimated $150,000.

4. The new personal income tax would cost farmers an estimated $1.4 million. These calculations do not include the tax on capital gains.

5. The increase in the corporation net income tax is not expected to result in an appreciable cost to farmers, since few farms are incorporated, and most of the incorporated farms are incorpora-

ted under sub-chapter S of the Internal Revenue Code. These pseudo or family corporations normally pay small amounts in taxes as corporations, since most of the net income of the corporation is paid to individual members of the family in the form of salaries.

These figures indicate that farmers might expect a net reduction in taxes of approximately $12 million for the first year the package goes into effect, a significant reduction that could aid materially in the retention of farms in this state.

But this is not a windfall for farmers. For many years, farmers in New Jersey have been paying more than their fair share of taxes, due to the excessive reliance on the property tax and the regressive nature of that tax. The Tax Policy Committee reports that the average family in New Jersey pays an average of 6.7 percent of disposable income in property taxes, whereas the property tax paid by farmers in 1970 was about half as much as total net income on farms, and 8.4 percent of gross farm receipts. Even with Farmland Assessment, New Jersey farmers have continued to be grossly over-taxed compared to non-farm people in New Jersey, with a property tax that is still the highest per acre of any state. The reduction in property taxes that will be paid by farmers in the proposed package is long overdue and represents simple justice.

We have not attempted to estimate the net dollar effect on farm families that would result from the various recommended changes in the tax structure that would affect farmers as citizens.

It should also be pointed out that the overall dollar effect on farmers does not mean that all farmers would experience the same results. Some farmers will undoubtedly end up paying more in total taxes than they are now; but the majority of farmers would pay less.

The estimation of how much farmers would pay under the proposed personal income tax is at best a rough estimate. Very few facts are available on off-farm income of farm families; and it has been necessary to estimate this figure, based on national averages that have been adjusted to the New Jersey situation.

But even if the estimated amount of tax paid under the income tax is doubled, farmers as a whole would benefit significantly under the proposed package. These income estimates do demonstrate clearly what farmers have been saying for some time--the income of farm families is relatively low.

Our study of the Report has also brought out the fact that the recommended limitation of $3 per $100 true value on the property tax does not necessarily include retirement and servicing of future bonded indebtedness at the county or municipal level, and since local school districts will still have to build the new school buildings, it is in the rapidly developing rural and suburban areas that such indebtedness will accelerate in the future.

While there is no doubt that farmers as a group would benefit dollar-wise from the package of recommendations, it is also true that non-dollar effects have to be taken into consideration.

The recommendations will greatly reduce home rule in New Jersey, and concentrate much greater power in the State Government. Who can assess what the long-range implications will be? Will it mean that the average citizen will take a lesser interest in governmental affairs? Will it mean greater efficiency in the operation of governmental services?

While nearly everyone supports the concept of keeping government as close to home as possible and maximizing home rule, many point out that the remaining home rule in New Jersey is largely an illusion--particularly in the field of education and in the administration of welfare programs.

The proposed tax package does not even attempt to put a damper on the escalating costs of government or the demand for governmental services. While it is proposed that a ceiling be placed on the rate of the property tax, it must be remembered that assessments will continue to go up. It is a recognized law of economics that a reduction in the property tax inevitably results in a proportionate increase in the value of property.

The Committee proposes no ceilings on the income tax or the sales tax, the corporation tax, or the various excise taxes; and we should have no illusions that this reform package will hold down the total taxes levied on our citizens.

To some people, tax reform evidently means the passage of some new tax to produce more revenue for the State or for local government. To others it means shifting the burden of taxation from one group of taxpayers to another. To us, real tax reform must include finding ways of reducing the cost of government, since we believe that we have about reached the saturation point in the percentage of the average person's income that goes for the operation of government at all levels.

The Tax Foundation reported recently that during the past 10 years, "total government tax receipts (federal, state and local) increased by 77.5 percent per American household. In the same period, total government spending increased by 93 percent on a household basis. The tax totals for fiscal 1972 represent a 6.5 percent increase over the last fiscal year, when the tax take was $277 billion, or $4,330 per household..."

To us, tax reform should include innovations for converting some present governmental services back to private enterprise; reorganization of government at all levels to increase efficiency; and removal of the present constitutional prohibition of tax dedication, since this seems to be the only sure-fire way the electorate has to make sure their tax monies are spent for the purposes they want them spent.

Tax reform will also have to include concrete steps to bring some of the more conspicuous and escalating areas of expenditure under control. The foremost of these is the cost of welfare and education. Real innovations are needed in both of these areas to bring the present escalation of costs into better control. In California, for example, the Reagan Administration has proved that welfare benefits can be improved for those who most deserve aid; and at the same time, the cost of welfare can be dramatically reduced by improved administration and reform of the laws

governing this program. New Jersey should send a team to California without delay to find out how to achieve the same results here.

Before total tax reform can be achieved, political leaders will have to give serious thought to some of the trends in public policy that directly or indirectly affect the cost of government:

1. The growing philosophy that government owes everyone economic security.
2. The growing idea that services provided by government are "free".
3. The growing tendency to regulate and control every facet of our businesses and our daily lives. The present consumerism movement is a part of this trend.
4. The growing willingness of people to depend upon government for even more services that they should be providing for themselves by private initiative.
5. The growing number of public employees--people living at public expense, and their growing political influence.

We believe it is appropriate here to raise some basic questions: Is it inevitable that government has to become larger and larger, more and more powerful, and take ever greater portion of our personal and business incomes? If this trend is inevitable and irreversible, what is the end point? Can we preserve any degree of personal freedom and individual responsibility if government becomes all pervasive and all powerful?

But, with all of these misgivings and skepticism, we want to commend the Sears Committee for a job well done; and Governor Cahill for his sifting out of the recommendations of the Committee what we consider to be a politically viable tax reform package that deserves the support of the Legislature. We believe the report of the Sears Committee to be the most thorough research effort on a statewide taxing system that has ever been done in New Jersey, or perhaps anywhere else.

We believe that clearly the time has come for the representatives of the people, the members of this Legislature, to accept the challenge-- to assert your share of the needed leadership, and to

act favorably on this package of bills. Like most others, we can find places in the package to pick at. There are details we would like to see changed. We would prefer, for example, that the new income tax be piggy-backed on the federal tax; but we are satisfied that you have before you the best package for reform that has ever been put together. We believe its enactment will help materially in the preservation of agriculture in this state.

And we are also acutely aware of the alternative - the annual increase of ten to fifteen percent in the local property tax - the most regressive tax of all, we feel. Certainly, no one in this Legislature can favor the status quo. We must have reform, and we believe this Legislature now has the opportunity to bring it about.

ASSEMBLYMAN BEDELL: Thank you very much, Mr. Ellis, for an excellent statement.

ASSEMBLYMAN VREELAND: I would just like to compliment Mr. Ellis and the State Farm Bureau for this statement. I would even go further and say that this is the finest statement that I have seen, as a member of this Committee, in favor of the tax package.

That's all.

ASSEMBLYMAN BEDELL: Thank you very much, sir.

Mr. Fred Keefer, Sr., President, Trenton Council of Civil Associations.

SENATOR MERLINO: Mr. Chairman, I talked to Mr. Keefer out in the hall. He has left the State house; it was getting too late for him. He wished me to convey to the Committee that he would affirm the statement made by Mayor Holland with just one reservation, and that is that there be some adequate safeguards on the reduction of the real property taxes and that there be some provision made to maintain those taxes at the level to which they are cut as a result of the tax. Otherwise he has endorsed the statement presented by Mayor Holland.

ASSEMBLYMAN BEDELL: Thank you, Senator.

I believe that exhausts the scheduled speakers. If there is anyone in the House who wishes to testify before the Committee, will he do so now.

There being no further business tonight, we will recess until tomorrow in this Chamber at 9:30.

(Hearing adjourned)

NEW JERSEY MOBILEHOME ASSOCIATION
788 Hamilton Street, Somerset, New Jersey 08873
201-247-6667 *A. E. Petrick, Executive Director*

November 1, 1971

SURVEY OF MOBILEHOME RESIDENTS OF NEW JERSEY
sponsored by the New Jersey Mobilehome Association
through the co-operation and facilities of
Rutgers - The State University of New Jersey
1970-1971

A survey was made of residents of mobilehome parks in New Jersey to find out who the mobilehome resident is, why he chose mobilehome living and whether he is enjoying that choice.

The survey was conducted through the offices of the Sociology Department of Rutgers University, New Brunswick campus. Survey was conducted by two graduate sociology students, Mr. Charles Sadowski and Mr. Carl Danziger with the assistance and guidance of Professor Leon Jansyn.

Some 1,300 questionnaires were mailed to a randomly selected stratified sample of residents living in parks which are members of the New Jersey Mobilehome Association. Park operators supplied names of all park residents. Random sampling from the lists was made by Rutgers personnel. There were approximately 500 responses, sent directly to the University offices.

Responses represent the state well geographically but are generally from larger, more affluent parks.

Summary of the results of this survey follows.

See page 7

I. HOW THEY BECAME ORIENTED TO MOBILEHOME LIVING

Reason for living in mobilehomes mainly economic.

55%	Economic reasons including high property taxes and "tired of paying rent for nothing"
9%	Necessity (only feasible housing available)
17%	Ease of maintenance and convenience
8%	Privacy
11%	Other responses and no answer
1%	Mobility

The idea of living in a mobilehome came to most people from personal sources.

67%	Personal sources Word of mouth, friends, relatives
24%	Impersonal sources Mobilehome shows, advertising, newspaper publicity
9%	No answer

The first mobilehome that people had seen more often was a privately owned home. However, the difference between that and display models was not great.

55%	Privately owned
42%	Display model

Very few people (6%) lived in mobilehomes as children.

II. STABILITY AND OPINIONS ABOUT MOBILEHOMES AS A WAY OF LIVING

The majority of residents have lived in their present mobilehome park for three years or more (61%).

8%	Under 1 year
31%	1 or 2 years
22%	3 or 4 years
17%	5 or 6 years
8%	7 or 8 years
5%	9 or 10 years
8%	Over 10 years

Eighty per cent (80%) of the people say they do not intend to move in the next two years; 18% do.

Many people think it would be good if mobilehome owners could buy their own lot for their home. Many said they themselves would like

to have their home on a private lot.

86%	Think it's a good idea
11%	Do not
3%	No answer

74%	Would personally like to have a private lot
18%	Would not
7%	No answer

Although, we will see, the people indicate they see and value friendliness, cooperatives, etc., most of them do their social visiting outside the park.

20%	Most visiting and socializing done inside the park
60%	Outside
17%	About equal
2%	No answer

With regard to intruders and accidents, the people believe that mobilehomes are at least as safe, and perhaps a little safer than apartments or houses.

52%	There is greater safety from intruders
45%	Equal safety
1%	Less safety
1%	No answer

44%	There is greater safety from accidents
54%	Equal safety
2%	Less safety
1%	No answer

Friendliness, the people say most often, is what they like about mobilehome people. Most people either expressed no dislikes or didn't bother answering the question about dislikes.

What do you like most about the other people in the park--generally speaking?

5%	They are the same as anyone
13%	They keep to themselves
9%	Cooperativeness
33%	Friendliness
10%	Helpful
12%	Have a common interest in each other and the place they live
17%	Other responses and no answer

Dislike

38%	Nothing
13%	Neglectful, fail to obey rules, supervise children or pets, care for grounds
9%	Too noisey or too nosey
9%	Other
30%	No answer

Many people expressed no dislikes about mobilehome living, but of the things mentioned, the management appears to be the most frequent source of complaints.

24%	Nothing		
27%	Management:		
	Too many rules	-	6%
	Not enough rules	-	1%
	Management greedy, takes everything, gives little	-	12%
	Getting too expensive	-	8%
25%	Lack of space and facilities		
	Roads, playgrounds, water supply, recreation hall, public transportation, shopping centers		
7%	Park not socially integrated with rest of community		
	We have no, or low, status		
	Government not interested or hostile		
2%	Rowdiness		
	Too many retired people		
16%	No answer		

People did not complain a lot about taxes. Most said they were taxed enough. A few even said they were not taxed enough.

27%	Too much tax
64%	Enough tax
1%	Not enough tax
8%	No answer

Most of the people are registered voters; but apparently they consider their party preferences a private matter.

63%	Registered in last election
32%	Did not
5%	No answer

22%	Democratic preference
32%	Republican
16%	Independent
30%	No answer

III. THE KINDS OF MOBILEHOMES, BUYING THEM, AND GETTING THEM ON THE LOT

The mobilehomes generally were purchased new (71%), and most do not seem very old.

31%	Less than three years old
20%	3 or 4 years
19%	5, 6 or 7 years
14%	8, 9 or 10 years
15%	Over 10 years
2%	No answer

Fifty-five feet or longer is the size of most mobilehomes (60%)

3%	32 feet or less
8%	40 feet
23%	50 feet
15%	55 feet
31%	60 feet
14%	65 feet
3%	70 feet
1%	No answer

As far as width is concerned, most were twelve feet wide (61%)

7%	8 feet
28%	10 feet
61%	12 feet
1%	14 feet
1%	20 feet
1%	24 feet

Two rooms are used for sleeping in most mobilehomes

35%	1 room
53%	2 rooms
9%	3 rooms
3%	No answer

Lots were obtained with little or no difficulty. The 16% who had difficulty usually had to wait for a lot.

45%	Bought mobilehome with lot as part of the deal
17%	Bought a mobilehome which was already on a lot
12%	Located a lot for their own mobilehome
26%	No answer

Sixty-one percent of the mobilehomes were purchased from the park management.

IV. WHAT THE PEOPLE ARE LIKE

The number of people in a mobilehome is usually two. (1,103 people in 485 mobilehomes)

18%	1 person
52%	2 people
17%	3 people
8%	4 people
2%	5 people
1%	6 people

The number of homes with children (under 18) is relatively small

79%	No children under eighteen
11%	one child under eighteen
7%	two children under eighteen
2%	three children under eighteen
1%	four children under eighteen

Of these 171 children in 101 mobilehomes, 83 are of school age, the rest are under five.

87%	No children under five
8%	one child under five
4%	two children under five
1%	three to six children under five

Most of the men and women who live in mobilehomes are over 45. Men - 54%; women - 53%. *

Women's ages		Men's ages
1%	20 or under	--
11%	21-25	8%
8%	26-30	8%
8%	31-40	9%
6%	41-45	5%
8%	46-50	7%
25%	51-60	23%
7%	61-64	9%
14%	65 and over	14%
13%	No answer	17%

*NOTE: All the percentages given for men and women separately must be considered estimates because of the analytical technique used. All are underestimates by not more than 3%.

Mobilehome residents are local people - 67% from New Jersey, New York or Pennsylvania.

Men	Birth Place	Women
5%	Foreign born	4%
37%	New Jersey	41%
12%	New York	10%
18%	Pennsylvania	16%
5%	Northeast	5%
3%	South	5%
5%	Midwest	4%
1%	West	1%
--	Southwest	1%
15%	No answer	13%

High school or better is the usual educational level. Men - 51%; Women - 57%.

Men	Educational Achievement	Women
14%	Eighth grade or less	12%
16%	Some high school	12%
32%	Completed high school	44%
12%	Some college or trade school	9%
6%	College graduate	4%
1%	More than college	--
19%	No answer	18%

The usual occupation of mobilehome residents is as skilled labor or clerical and sales work (skilled labor including housewives).

Men	Occupational Level	Women
1%	Student	1%
6%	Professional	3%
6%	Proprietor, manager, official	1%
13%	Clerical, sales	19%
22%	Skilled	5%
	Housewife	38%
14%	Operative	6%
8%	Service	5%
5%	Laborer	4%
25%	No answer	21%

Half of the mobilehome residents state they earn over $9,000.

Family income:

1%	None
9%	Under $5,000
9%	$5,000 to $6,999
11%	$7,000 to $8,999
16%	$9,000 to $10,999
10%	$11,000 to $12,999
8%	$13,000 to $14,999
11%	$15,000 to $19,999
5%	$20,000 or more
21%	No answer

(Note that a good portion of families on low income or those who gave no reply are on retirement incomes.)

NOTE: Next step to be taken with this survey will be to have sociological conclusions drawn about mobilehome residents in New Jersey. This additional date is expected to be published early in 1972.

Sincere appreciation is extended to the Mobile Homes Manufacturers Association for their assistance in this endeavor.

NATIONAL AUTOMATIC LAUNDRY
and CLEANING COUNCIL

7 So. Dearborn Street
Chicago, Illinois 60603
(312) 263-3368

WILLIAM J. SMITH

Trenton, June 8, 1972

STATEMENT OF POSITION AGAINST ASSEMBLY BILL #1251

IT IS THE BASIC POSITION OF THE COIN OPERATED LAUNDRY AND DRYCLEANING INDUSTRY THAT THE PRESENT SALES AND USE TAX LAW UNJUSTLY DISCRIMINATES AGAINST AN ISOLATED SEGMENT OF SMALL BUSINESS i.e., THE COIN-OP LAUNDRY AND DRYCLEANING BUSINESSMAN AND WE ASK FOR NOTHING MORE NOR LESS THAN EQUAL CONSIDERATION AND FAIR TREATMENT UNDER THE LAW. THE COIN OPERATED LAUNDRY OWNER IS UNJUSTLY DISCRIMINATED AGAINST UNDER THE SALES TAX LAW FOR FIVE BASIC REASONS:

1. He pays a tax the law intended to be paid by the customer. Thus, the tax is not a Sales Tax but a gross receipts tax.

2. He pays a tax at a rate greatly in excess of six (6) percent.

3. His position is unique because application of the Sales Tax Law affects no other business in the same way it does his.

4. A coin operated store owner not only absorbs a sales tax intended to be paid by another, but because of his unique operation he actually absorbs a "double sales tax," whereas the law intended that he bear no sales tax at all.

5. He has no reasonable or practical solution to the problem except through legislation.

WHAT IS SO SIGNIFICANT ABOUT THIS?

To understand the significance of the above statements, we should briefly review the legislative intent and theory behind the sales tax law. First, the sales tax is imposed by statute on the "ultimate consumer" or "ultimate vendee" and not upon the "owner" or "vendor." The owner or vendor acts as the state's representative in collecting this tax from many consumers with whom he deals. Further, the sales tax is a

(cont.)

"transaction" tax imposed only upon the FINAL RETAIL SALE to an ULTIMATE CONSUMER. Hence, wholesalers of products collect no sales tax because their sales are made to those who purchase for the express purpose of reselling.

Notwithstanding the intent and purpose of the sales tax law because of the coin laundry's method of doing business, he cannot collect the sales tax from his customer and therefore must absorb it. Since his store is unattended, he has no reasonable or practical way of changing his method of doing business in order to collect the tax. To hire an attendant to collect the tax would cost the store owner in excess of $15,000 a year to provide around the clock attendants.

Such a solution is impractical because the requirements of using attendants would effectively do away with the industry. The expense would equal or exceed the gross annual revenue of a substantial number of the present coin operated laundry businesses in this state. Thus, the coin-op businessman simply must absorb it as an additional cost of doing business.

WHY NOT INSTALL PENNY COIN SLIDES?

Penny coin slides are not installed for a very simply reason....none are manufactured. It is possible to make such devices but no manufacturer can afford to make them for one state. Even if manufactured for use in New Jersey, the cost to the laundry owner would be so prohibitive that he could not afford to purchase them and use them. The market would be extremely limited with a high per unit cost.

WHAT IS SO UNIQUE ABOUT THE COIN OPERATED STORE OWNER?

1. The coin operated store owner is a unique economic or business situation. His business is not comparable to any other operation where sales tax is imposed, but is very much comparable to kinds of business where the sales tax is not imposed.

In explanation, it must be remembered that the coin laundry and drycleaning store renders an "intangible" and not a "service" or a "product." This distinction has great significance. If you vend a PRODUCT, you have control over the size, shape, weight, etc. of the porduct and can indirectly compensate for the sales tax by an adjustment in the size, etc. of the product. On the other hand, a store owner has no way of adjusting the size or amount of time to be given through his machine.

It is, of course, common practice for store owners to specify weight limits for the use of their machines. However, the large majority of their maintenance problems are caused through continual overloading of machines. Such machines are manufactured nationally, and their sizes, capacities, etc. are standardized. Since the store owner has no control over the size, shape, weight, etc. of machines, he cannot compensate in an indirect manner for the sales tax.

2. Another distinction that places the small business coin store owner in a unique position is the fact that nearly all vended products are adjuncts to other businesses. For example, every service station will have a candy and soda machine and very likely a cigarette machine as well. Many restaurants also have vending devices for confections and cigarettes in connection with their business.

On the other hand, the coin store is a self-contained small business requiring a sizable capital investment and the services of an owner or operator to oversee and manage the business.

(cont.)

3. Another important distinction that places the store owner in a unique position is clearly seen when one compares the coin-o-matic laundry and drycleaning industry with other coin operated devices which vend or sell "intangibles." In addition to the coin-o-matic, we know of four other untaxed but similar services.

a. SELF-SERVICE BAGGAGE LOCKERS in bus, railway depots, airports, and shopping centers. Nowhere under the Tax Act is a sales tax imposed on their operation.

b. COIN-OPERATED MUSIC DEVICES (i.e., juke boxes). Nowhere under the Act are these vended products subject to a sales tax.

c. LOCAL TRANSPORTATION (i.e., street, railway or city bus lines). Fare is collected by use of a coin drop. However, this type coin operation is not taxed under the Act.

d. PAY TELEPHONES. A sales tax is imposed upon all amounts paid to a common carrier for telephone service. The telephone company must pay sales tax on amounts collected through its public pay phones even though the tax cannot be collected from the user of the pay phone.

Of the four coin operated businesses other than coin-o-matic laundry-drycleaning, only one - the telephone company - is subject to sales tax. However, the telephone company is clearly distinguishable from the small private coin store. The telephone company is a monopoly and a public utility. It is regulated by the Public Utility Commission and all rates are within that Commission's jurisdiction.

Periodically, the telephone company will apply to the Public Utility Commission for an increase in rates. All of its expenses and other costs of doing business are taken into consideration by the Public Utility Commission in order to set a rate that will insure the telephone company a fair and reasonable profit. Moreover, only a very small portion of the telephone company's business is through the pay telephone. Obviously, there is no similarity between the telephone company's situation and that of the automatic coin operated laundry-drycleaning store.

WHY NOT RAISE YOUR PRICES TO ABSORB THE TAX?

Any increase in the cost of the self-service equipment must be done in increments of five cents. This is because, as noted above, there are no penny slides manufactured. The net result is a price increase of up to 25% to collect a 6% tax. A price increase for the purpose of collecting sales tax is not practical for these reasons:

1. It is an expensive proposition to purchase and install new coin slides. This can represent an additional cost of up to 50% of the original purchase price of the machine.

2. Because coin operated laundries are used by interstate travellers, they have been held to be in interstate commerce. Therefore, they are subject to Federal anti-trust laws which expressly prohibit any type of industry wide price fixing.

(cont.)

3. The price increase would affect those least able to afford it. A survey shows that the large majority of self-service users in New Jersey are low income families (under $6,000). Often,they are older people whose laundry facilities have worn out or younger people with large families. Most of the people, however, are those who are unable to purchase their own laundry facilities. The older people, because of a limited fixed income,are unable to invest in new home laundry units. Because of physical problems incident to old age, they spend more time in bed and frequently have need to wash heavy loads of bedding.

   It is a fact that the lower income families are also the larger families, unable to invest in home laundry units. Therefore, a price rise to cover the sales tax demands will place a greater burden on those people who have a major struggle to keep their heads above water financially.

4. The self-service store owner is in a highly competitive market. Not only would such a substantial increase in cost of laundry facilities work a hardship on those families served by the industry, but in those few situations where individual attempts have been made to raise prices, there has been a reported drop in business of from 30% to 70%. Some owners have their equipment completely paid for and are reluctant to raise prices. Those who attempt a price increase merely drive substantial portions of their business to the store owner who holds his prices.

Furthermore, the customer who uses the store for convenience rather than necessity will realize that his monthly cost of using a coin-op is the same or greater than monthly payments he could be making on home laundry equipment. Thus, the store owner os deprived of this customer.

When this customer buys his home laundry equipment, he pays a sales tax. When the coin-op owner buys his equipment, he pays a sales tax. However, under the present interpretation of the law, if he does his wash in a coin-op store he must pay a sales tax. Only, in practice, he doesn't, the store owner pays it for him.

HOW IS IT POSSIBLE THAT A COIN - OP STORE OWNER BEARS A "DOUBLE SALES TAX?"

Vendors of products do not pay a sales tax on their "cost of goods sold." When "ingredients" are purchased to manufacture a product or when products are sold to the retailer for the express purpose of resale, no sales tax is imposed. The burden is to fall on the "ultimate consumer," and no sales tax is to be collected until the final transaction.

What is the coin laundry-drycleaning store's "cost of goods sold," realizing that he is selling an intangible and not a "product" or "service?"

1. The operator must install equipment, i.e. machines that cost at least several hundred dollars each. He pays a sales tax on the full cost of equipment purchased.

2. The operator must pay a sales tax on all expenditures for service, repair and replacement parts for his machine.

(cont.)

3. Many owners provide soaps, dyes and solvents. All who have automatic drycleaning machines must provide percholrethylene, the solution in which dresses, suits, etc. are cleaned. The operator must pay a sales tax on his purchase of these items.

4. The laundry machines use thousands and thousands of gallons of water. This water must be heated which takes a substantial amount of electricity or gas. Also, a substantial amount of electricity is required to operate the laundry and drycleaning machines. In this regard, the owner or operator pays a sales tax on all electricity used and all gas used, as well as sales tax on the purchase of his water or gas heater.

All of the above items become the coin-op store owner's "cost of goods sold." However, he is not only required to pay sales tax on acquisition and use of the various items which become part of his cost of goods sold, but he also must turn around and ABSORB A SALES TAX ON HIS GROSS COLLECTIONS FOR THE USE OF HIS MACHINES. THIS IS A UNIQUE AND INEQUITABLE SITUATION.

WILL ENACTMENT OF ASSEMBLY BILL #1251 HELP NEW JERSEY?

New Jersey wants to foster a more favorable economic climate for business. To implement this policy, the Legislature should remove inequities and discrimination which depress business growth.

We wish to emphasize that we are not asking for a subsidy or for preferential tax treatment. We are asking only for the removal of an unjust and discriminatory tax.

We call attention to the fact that business failures in New Jersey have steadily increased over the last three years. We do not intend to say that the discriminatory application of the sales tax will be the reason coin stores frequently fail. There are many reasons contributing to business failure. However, we certainly believe this unjust tax will be a reason.

WHERE DOES NEW JERSEY STAND IN RELATION TO OTHER STATES ON THE APPLICATION OF A SALES TAX ON COIN-OPS?

In a word - alone!

It is significant that other states have recognized the unjust application of the sales tax to the coin operated laundry and drycleaning business. Forty two of the fifty states do not impose a sales tax on any phase of the coin-op laundry and drycleaning business at the present time. The National Automatic Laundry and Cleaning Council reports that four states, Wisconsin, Tennessee, Georgia and Pennsylvania have recently rescinded the portion of their sales tax law that applied to their coin-op businesses. California, Connecticut, New York, Maryland, Texas, Montana, Idaho, Illinois, Virginia and Massachusetts defeated the proposal before it was allowed to become law. Of the eight states that at the time of the study (March, 1972) imposed a sales tax on coin-op laundry and drycleaning businesses, either the courts or legislature have granted or are in the process of granting relief in seven. This leaves New Jersey.

(cont.)

It is interesting to note that in all states bordering on New Jersey, no phase of the industry is subject to a sales tax.

Wisconsin lawmakers exempted the coin-op laundry and drycleaning from sales tax because "the service is performed by the customers who use coin operated self-service machines." This same reason applies here in New Jersey as well.

"WELL, EVERYTHING YOU SAY IS TRUE BUT THE STATE NEEDS EVERY PENNY IT CAN GET SO I AM IN FAVOR OF NO BILL TO REDUCE TAXES"

How really sound is this proposition?

We believe strongly that all measures seeking tax relief should be carefully and meticulously scrutinized.

However, if a claim is just, then to reject it solely on the ground that it seeks tax relief is neither wise nor fair. Government should not and is not inclined to arbitrarily enact tax laws which discriminate against isolated groups. Should government arbitrarily refuse to remedy or be less inclined to remedy an inequitable application of tax laws already on the books? We believe the answer is evident.

FOR THE REASONS STATED, ON BEHALF OF THE MORE THAN 1,000 INDUSTRY MEMBERS, WE RESPECTFULLY SOLICIT YOUR SUPPORT TO ~~DEFEAT~~ RETAIN OUR EXEMPTION IN ASSEMBLY BILL # 1251.

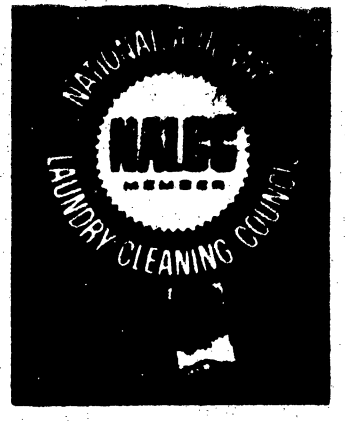
The COIN-OP LAUNDRY & DRYCLEANERS
OF NEW JERSEY

and

NATIONAL AUTOMATIC LAUNDRY AND
CLEANING COUNCIL

National Automatic Laundry and Cleaning Council

7 South Dearborn Street/Chicago Illinois, 60603/(312) 263-3368



REPORT ON STATE SALES TAXES ON THE

COIN OPERATED LAUNDRY-DRYCLEANING INDUSTRY

States where the law has been amended to exclude the self service laundry/drycleaning industry:

	Georgia	Attorney General's ruling
	So. Dakota	Through legislation
	Tennessee	Through legislation
	Vermont	Through legislation
	Wisconsin	Through legislation
Exempted 1971	Pennsylvania	Through legislation
Exempted 1971	Kansas	Through legislation

States where proposed legislation has been amended to delete sales taxes for coin op laundry/drycleaning before the law was passed:

California	New Hampshire
Connecticut	New York
Florida	North Dakota
Idaho	Ohio
Illinois	Oregon
Indiana	Texas
Maryland	Virginia
Massachusetts	Washington, D.C.
Montana	

States where sales tax included self service laundry/drycleaning receipts. (Note In each case, programs are underway for removal of the tax liability since it cannot be collected from the customer.)

Arizona	Through proposed legislation & litigation
Iowa	Through proposed legislation
North Carolina	Through proposed legislation
South Carolina	Through proposed legislation
Utah	Through proposed legislation
Washington	Through proposed legislation
West Virginia	Through proposed legislation
Louisiana	Through proposed legislation

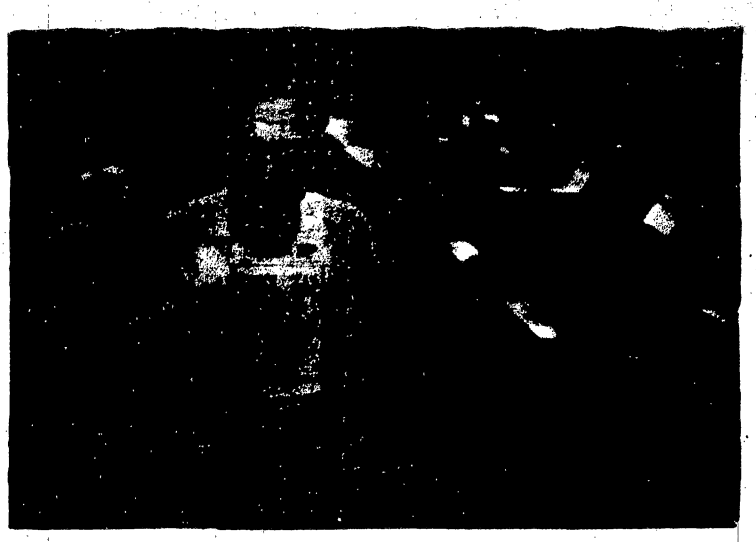
States where sales tax in paid by service industries and no action is planned for exemption at this time:

Mississippi

Submitted by the National Automatic Laundry and Cleaning Council as complete and correct to the best of our knowledge.

4/25/72gs

COULD THE STATE COLLECT TAXES THIS WAY????? — "The Honor System"



Wouldn't it be ridiculous for the state to put an unattended "honor box" on every street corner to collect taxes? Yet, that is what the law is asking us to do!

SALES TAX ON SELF-SERVICE LAUNDRY-DRYCLEANING & CARWASH IS A DISCRIMINATORY HARDSHIP TAX!

Why ... ?

1 YOU CAN'T COLLECT IT FROM THE CUSTOMER,
(And That's What YOU'RE Supposed To Do)

2 AS RETAILERS WE HAVE TO PAY THIS TAX OUT OF OUR PROFITS.
(And By Law That's What You're NOT Supposed To Do)

3 NO OTHER SMALL BUSINESS IN THE STATE IS FORCED TO USE AN "HONOR BOX" METHOD TO COLLECT TAXES.

SPONSORED BY:

66B

(see other side)

THE WHITE HOUSE

WASHINGTON

Dear Mr. Gill:

The President has asked me to thank you for your letter of September 1. He was interested to learn of the achievements of our nation's coin operated laundry and dry cleaning establishments in their efforts to maintain low prices for their customers. And, of course, the President welcomed your expression of support, on behalf of the industry, for the measures he is taking to revitalize the economy. With such cooperation, he is confident we can win for every American the new era of prosperity worthy of this great country.

With the President's best wishes,

Sincerely,

Michael B. Smith
Staff Assistant

Mr. Ward A. Gill
President
National Automatic Laundry and
Cleaning Council
7 South Dearborn Street
Chicago, Illinois 60603


WE FIGHT INFLATION
WE SUPPORT THE U.S. ECONOMIC PROGRAM

Statement of

ASSOCIATED RAILROADS OF NEW JERSEY

June 8, 1972

with respect to
Assembly No. 1251

We request that Page 17, Section 5, Lines 169-173 of the bill (bb) of existing law, be amended to read as follows:

"(bb) Sales of locomotives, railroad cars and other railroad rolling stock, including repair and replacement parts therefor, track materials, and communication, signal and power transmission equipment, to a railroad whose rates are regulated by the Interstate Commerce Commission or by the Board of Public Utility Commissioners of New Jersey;"

This would provide railroad utilities with the same exemptions that have been provided for other utilities (Page 14, Section 5, Lines 75-83, paragraphs (m) (2) and (3):

"(2) Sales of machinery, apparatus or equipment for use or consumption directly and primarily in the production, generation, transmission or distribution of gas, electricity, refrigeration, steam or water for sale or in the operation of sewerage systems;

(3) Sales of telephone lines, cables, central office equipment or station apparatus, or other machinery, equipment or apparatus, or comparable telegraph equipment, for use directly and primarily in receiving at destination or initiating, transmitting and switching telephone or telegraph communication;"

The imposition of a sales and use tax upon materials used directly in the rendition of railroad (or other public utility service) is conceptually unsound. The sales tax is basically a consumer's tax, imposed upon the end user of the taxable goods or services. It is denominated a retail tax, and taxable transactions are generically described as retail sales. Where a taxable sale is made, the tax on the property is passed on to the consumer. Where a taxable service is performed, the tax on the service and on any material used in connection therewith, is passed on to the consumer.

One important reason for imposing the tax at the ultimate transaction is to keep it from being pyramided in the cost structure of the product or service. For example, if a tax was imposed on each sale made in the manufacturing process, from raw materials to finished goods, the tax would figure at various levels and would be pyramided, through mark-ups, at each successive state. Thus, the tax would increase the cost of the product without adding anything of value. Such an inflationary result is undesirable. Hence, it is customary to exclude from tax articles used in the manufacturing process - not only component materials, but also necessary equipment used in the process, the cost of which becomes a part of the cost of the product. A-1251 properly restores such an exemption. A similar exemption is afforded to materials used in agriculture (8 (p) in order not to raise the price of food unnecessarily.

Similarly sales of machinery and equipment used in producing gas, electricity, steam, water, telephone and telegraphy are exempt, even though the sales of those products and services are also exempt. Again, the justification for the exemption would appear to be related to the cost of the product or service. Another important feature is present in these latter cases, however. These utilities are regulated industries, and their rates cannot automatically be altered to accommodate to any change in cost. Thus, without an exemption the utility would be saddled with the burden of a consumer's tax, a burden which it would have to bear in addition to the regular business taxes to which it would be subject.

The same considerations which justify exemption for the other utility industries justify a like exemption for the transportation industry, particularly since railroads in New Jersey are the "poor relations" of the utility industry.

As the New Jersey Tax Policy Committee said (Part V, page 75) in recommending maintenance of the existing exemption in Section 8 (bb):

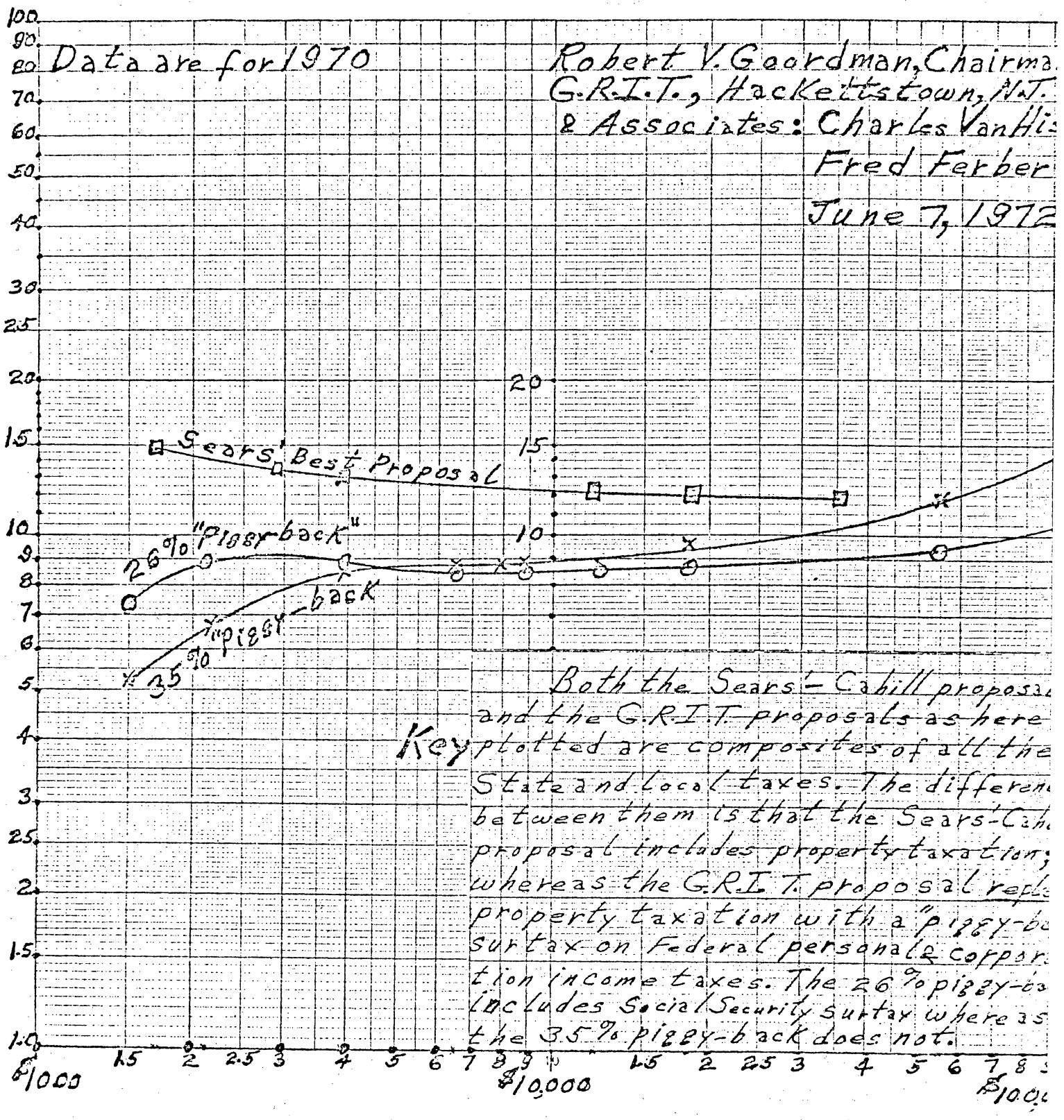
"The Committee has endeavored to promote balance in the revenue fabric of the State of New Jersey. Each aspect of the Sales and Use Tax Act has been tested, to determine, among other things, whether the tax, or exemption therefrom logically belongs in such an act."

"The exemption on locomotives and railroad rolling stock, as contained in subsection (bb) is a case in point. Overwhelming evidence has documented the serious financial plight of New Jersey's railroads. The State has responded with direct subsidies, as well as with this sales tax exemption. The Committee supports the public policy of direct subsidies to the railroads, as well as the indirect subsidization, supplied by this exemption. Exemption 8 (bb) should be continued without change."

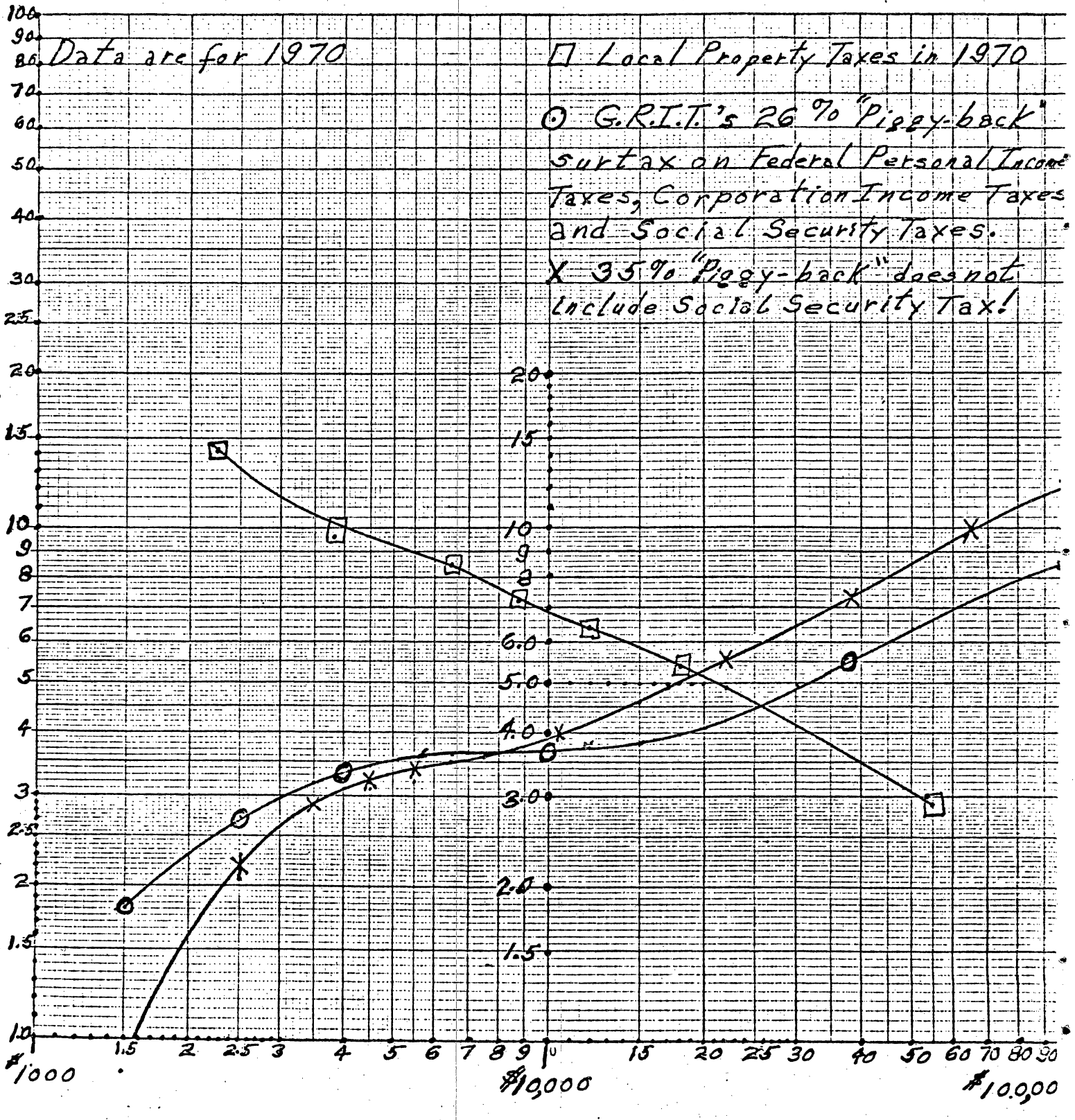
Respectfully submitted,

Augustus Nasmith

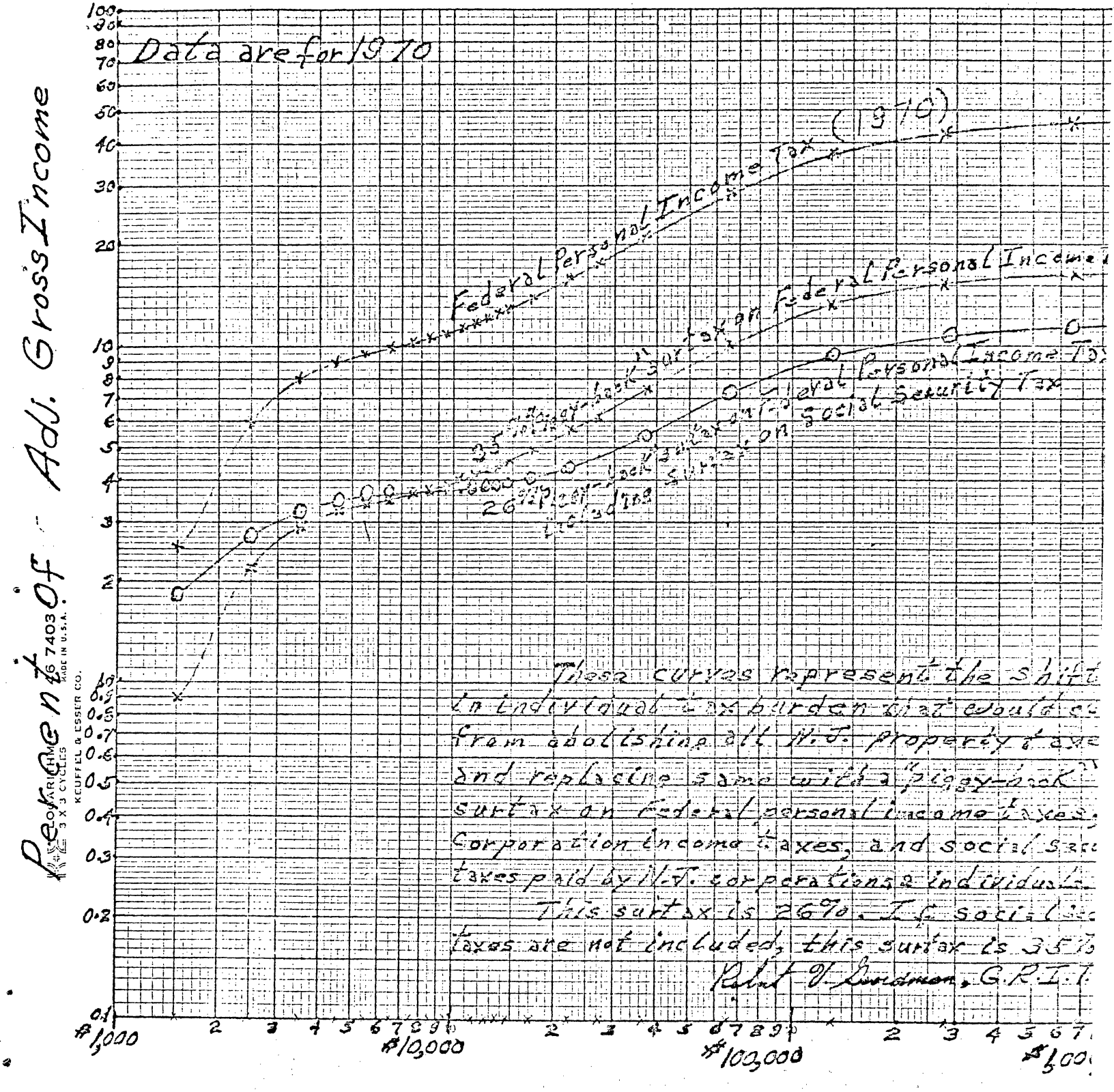
Augustus Nasmith
Vice Chairman and General Counsel


Data are for 1970
Robert V. Goordman, Chairma
G.R.I.T., Hackettstown, N.J.
& Associates: Charles VanHis
Fred Ferber
June 7, 1972
Sears' Best Proposal
26% "Piggy-back"
35% "Piggy-back"
Key
Both the Sears-Cahill proposal and the G.R.I.T. proposals as here plotted are composites of all the State and local taxes. The differen between them is that the Sears-Cah proposal includes property taxation; whereas the G.R.I.T. proposal repl property taxation with a "piggy-b surtax on Federal personal & corpor tion income taxes. The 26% piggy-ba includes Social Security surtax whereas the 35% piggy-back does not.
Percentage of Adj. Gross Income
$1000
$10,000
$100,0
Adjusted Gross Income

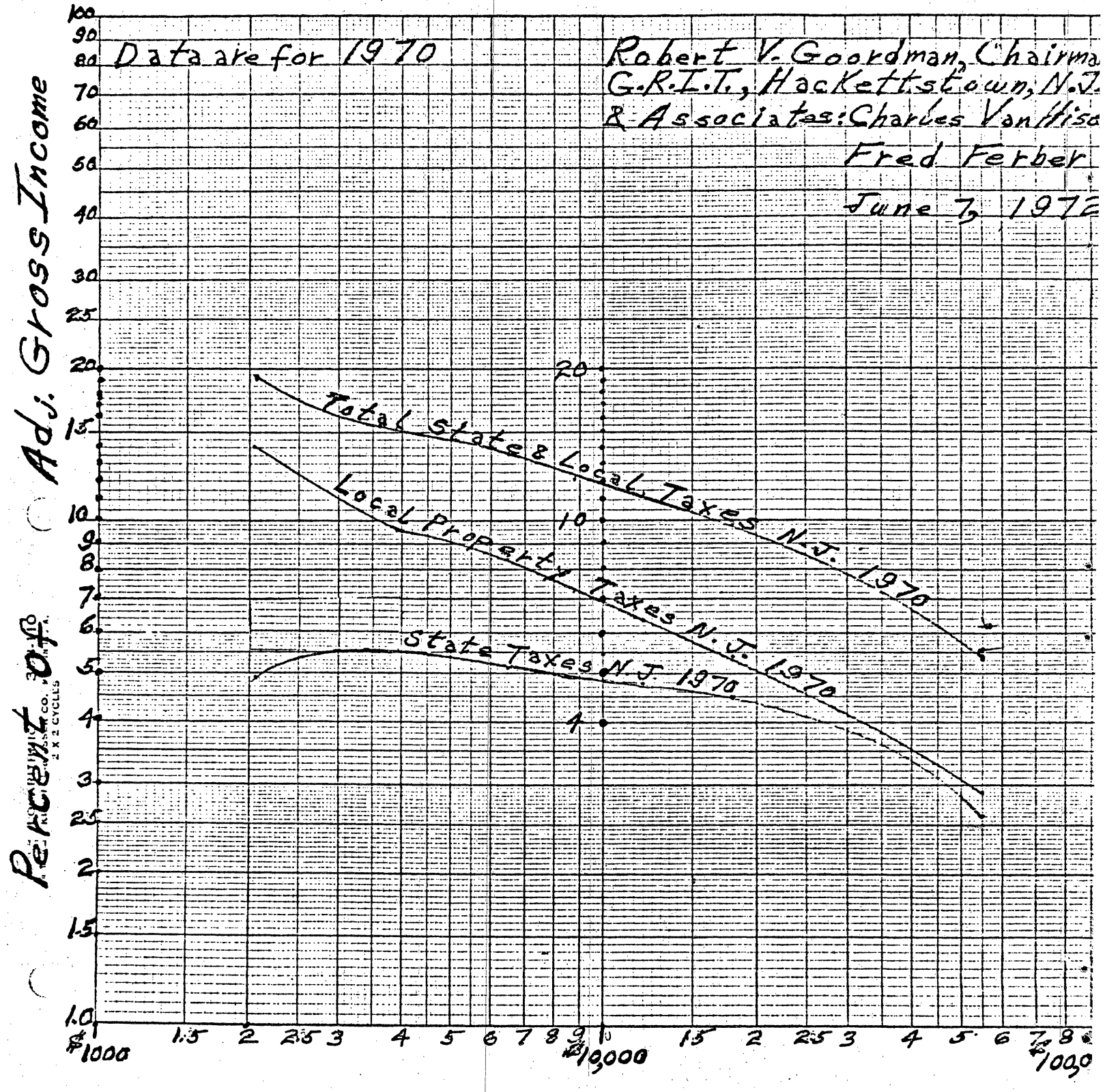
Fred Ferber
June 7, 1972



Adjusted Gross Income


Data are for 1970
(1910)
Federal Personal Income Tax
Federal Personal Income
Federal Personal Income Tax
Federal Personal Income Tax
Social Security Tax
35% surtax on Federal Personal Income Tax
26% surtax on Federal Personal Income Tax
These curves represent the shift in individual tax burden that would co from abolishing all N.Y. property taxe and replacing same with a "piggy-back" surtax on federal personal income taxes, Corporation Income Taxes, and social sec taxes paid by N.Y. corporations & individua
This surtax is 26%. If social sec taxes are not included, this surtax is 35%
Robert V. Lindman, G.R.I.T.
Percent of Adj. Gross Income
Adjusted Gross Income
$1,000
$10,000
$100,000
KEUFFEL & ESSER CO. 3 X 3 CYCLES MADE IN U.S.A.

Reported by the Years Tax Foundation



Adjusted Gross Income

Personal Income

Newark, N.J.
7

New Jersey

By AUDREY A. FECHT
Evening News Trenton Bureau

TRENTON — The New Jersey Bar Association today accepted a proposed state personal income tax as a fair means to hold down property taxes.

The association trustees endorsed the report of its taxation section which favored most of the recommendations by Gov. Cahill's Tax Policy Committee. A state income tax and statewide property tax are key committee proposals.

Gov. Cahill will present a series of tax revision bills, including an expected income tax proposal, to the Legislature tomorrow.

The taxation section of the 8,000-member bar did not take a position on an income tax, but called it a "generally . . . equitable and feasible system of taxation."

Based on U.S. Returns

The bar report, however, called for state income taxes to be based on federal income tax returns.

The state committee rejected the "piggyback" type of income tax which charges taxpayers a percentage of their federal income tax. The committee called for a different set of forms and rates for the state income tax, including elimination of separate tax rates for single and married persons.

The bar association report also criticized the state committee's proposed expansion of the sales tax to services, including those of lawyers, accountants, architects and engineers." The association urged that the sales tax be applied only to tangible goods.

William Gladding, chairman of the bar taxation section, said: "It would be impossible often to determine where taxable services were performed. Suppose a New Jerseyan hired a Philadelphia architect and a New York engineer. Their services would presumably be tax free. It would be cheaper to hire them than New Jersey practictioners. This penalizes New Jersey professionals."

Gladding said lawyers could not understand why the state committee recommended exemptions for professional health and medical services, but had urged taxes on lawyers' services.

Cites Trend

"I thought the trend of court decisions and massive expenditures for public defenders was based on the premise that legal services were an increasing necessity for all citizens, not a luxury for the wealthy few, as the Tax Policy Committee seems to believe."

Many professionals, he asserted, would be subjected to triple taxing: 5 per cent sales tax, personal income tax and the replacement for the unincorporated business tax.

The bar report also disagreed with the state committee's denial to corporations of the right to carry losses from one year to the next in income tax returns and its proposal for increased taxes on liquor.

After a two-month study of the State Tax Committee recommendations, the bar taxation section agreed with committee proposals for an income tax deduction for tenants, increased taxes on wine, beer and cigarettes, expansion of the senior citizens' tax deduction, limits on certain property taxes and reforms in tax appeal proceedings, including a full-time tax court long supported by the state bar.

The Sears State Tax Policy Committee, 5/18/72

"Piggy-back"

Bar backs income tax

TRENTON — The State Bar Association Tuesday endorsed most of the State Tax Policy Committee's tax reform recommendations, including a proposed state income tax.

But it withheld support of some proposals, including a recommendation to extend the 5 per cent sales tax to cover "services" by lawyers, engineers, architects and other professionals.

The Bar Association's report noted the sales tax on legal services would cost lawyers or their clients more than $15 million.

The report by the lawyers group was based on a two-month study by the association's taxation section, headed by William Glading, who reported that the bar also felt the income tax should be a "piggy-back" on the federal income tax as a "convenience to individuals and businesses."

"The association urged t the sales tax be applied only "tangibles," warning that t problems would arise becau of a difficulty in determini "where taxable services we performed."

Glading said:

"Suppose a New Jersey hired a Philadelphia Archit and a New York engine Their services wou presumably be tax free. would be cheaper to hire the than New Jersey practitione This penalizes New Jers professionals."

Glading contended ma professionals would be subje to triple taxing — five per ce sales tax, personal income t and a replacement for unincorporated business ta

Recommendations favor by the bar included:

—Expansion of seni citizens' tax reductions.

—Limits on property taxe

—Sales tax exemption f machinery and equipment manufacture tangible gooc

—An income tax deducti for tenants.

To Divisn of Fiscal Affai
State of New Jersey
from G.R.I.T. June 8, 197

Table 1.—RETURNS, ADJUSTED GROSS INCOME, TAXABLE INCOME, INCOME TAX AFTER CREDITS, AND TOTAL INCOME TAX, BY SIZE OF ADJUSTED GROSS INCOME AND INCOME CUMULATED

[Taxable and nontaxable returns—money amounts in thousands of dollars]

Size of adjusted gross income and classes cumulated	All returns					Taxable returns												
	Returns		Adjusted gross income			Returns		Adjusted gross income		Taxable income		Income tax after credits			Total income tax			
	Number	Percent of total	Amount	Percent of total[1]	Average (Dollars)	Number	Percent of total	Amount	Percent of total[2]	Amount	Percent of total	Number of returns	Amount	Percent of total	Amount	Percent of— Total	Taxable income	Adjusted gross income
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
SIZE OF ADJUSTED GROSS INCOME																		
Total	74,285,982	100.0	632,002,240	100.0	8,508	59,336,868	100.0	610,464,590	100.0	400,977,970	100.0	59,333,684	83,836,237	100.0	83,953,112	100.0	20.9	13.8
No adjusted gross income	409,021	0.6	-2,398,331	-	-5,864	1,302	(4)	-95,970	-	-	-	-	-	-	7,364	(4)	(3)	(6)
$1 under $600	3,052,582	4.1	1,061,104	0.2	348	15	(4)	1	(4)	-	-	-	-	-	43	(4)	(3)	(7)
$600 under $1,000	2,711,106	3.6	2,168,587	0.3	800	38,497	0.1	34,864	(4)	4,078	(4)	38,470	589	(4)	726	(4)	18.4	2.1
$1,000 under $2,000	6,280,628	8.5	9,409,151	1.5	1,498	1,254,718	2.1	2,243,024	0.4	334,968	0.1	1,254,684	47,271	0.1	47,359	0.1	14.1	2.1
$2,000 under $3,000	5,609,844	7.6	13,956,454	2.2	2,488	3,719,434	6.3	9,331,741	1.5	3,699,578	0.9	3,719,314	546,871	0.7	547,289	0.7	14.8	5.9
$3,000 under $4,000	5,151,441	6.9	18,063,498	2.8	3,506	4,199,368	7.1	14,778,278	2.4	7,635,508	1.9	4,199,213	1,203,051	1.4	1,203,171	1.4	15.8	8.1
$4,000 under $5,000	5,087,456	6.8	22,925,245	3.6	4,506	4,605,796	7.8	20,785,518	3.4	11,303,549	2.8	4,605,778	1,827,058	2.2	1,827,193	2.2	16.2	8.0
$5,000 under $6,000	4,763,334	6.4	26,179,136	4.1	5,496	4,547,289	7.7	24,993,730	4.1	14,067,148	3.5	4,547,251	2,325,855	2.8	2,326,057	2.8	16.5	9.3
$6,000 under $7,000	4,647,468	6.3	30,173,781	4.8	6,493	4,542,266	7.7	29,502,934	4.8	17,015,928	4.2	4,542,224	2,880,923	3.4	2,881,056	3.4	16.9	9.8
$7,000 under $8,000	4,432,727	6.0	33,227,613	5.2	7,496	4,374,002	7.4	32,791,856	5.4	19,383,008	4.8	4,373,861	3,332,995	4.0	3,333,148	4.0	17.2	10.2
$8,000 under $9,000	4,288,937	5.8	36,415,436	5.7	8,491	4,250,415	7.2	36,089,562	5.9	21,742,932	5.4	4,250,373	3,800,252	4.5	3,800,332	4.5	17.5	10.5
$9,000 under $10,000	4,179,562	5.6	39,691,566	6.3	9,497	4,170,998	7.0	39,609,109	6.5	24,472,256	6.1	4,170,987	4,328,715	5.2	4,328,805	5.2	17.7	10.9
$10,000 under $11,000	3,681,512	5.0	38,609,353	6.1	10,487	3,673,277	6.2	38,524,341	6.3	24,159,152	6.0	3,673,270	4,314,591	5.1	4,314,685	5.1	17.9	11.2
$11,000 under $12,000	3,260,319	4.4	37,450,823	5.9	11,487	3,254,342	5.5	37,382,222	6.1	24,035,053	6.0	3,254,307	4,358,912	5.2	4,359,272	5.2	18.1	11.7
$12,000 under $13,000	2,790,201	3.8	34,842,838	5.5	12,488	2,784,634	4.7	34,773,765	5.7	22,970,632	5.7	2,784,613	4,235,668	5.1	4,235,809	5.0	18.4	12.2
$13,000 under $14,000	2,366,461	3.2	31,916,820	5.0	13,487	2,362,815	4.0	31,868,223	5.2	21,276,586	5.3	2,362,774	3,976,574	4.7	3,976,734	4.7	18.7	12.5
$14,000 under $15,000	2,006,118	2.7	29,061,053	4.6	14,486	2,004,842	3.4	29,042,591	4.8	19,770,930	4.9	2,004,816	3,747,204	4.5	3,747,435	4.5	19.0	12.9
$15,000 under $20,000	5,541,347	7.5	94,562,757	14.9	17,065	5,534,839	9.3	94,453,802	15.5	66,628,351	16.6	5,534,733	13,225,415	15.8	13,226,510	15.8	19.9	14.0
$20,000 under $25,000	1,909,637	2.6	42,218,935	6.7	22,108	1,906,820	3.2	42,157,936	6.9	30,994,670	7.7	1,906,771	6,654,153	7.9	6,655,234	7.9	21.5	15.8
$25,000 under $30,000	768,389	1.0	20,862,982	3.3	27,151	766,023	1.3	20,814,109	3.4	15,641,701	3.9	766,598	3,615,854	4.3	3,616,689	4.3	23.1	17.4
$30,000 under $50,000	918,322	1.2	34,129,361	5.4	37,165	916,346	1.5	34,057,778	5.6	26,457,137	6.6	915,977	7,142,460	8.5	7,148,250	8.5	27.0	21.0
$50,000 under $100,000	351,669	0.5	23,143,013	3.6	65,809	350,725	0.6	23,079,281	3.8	18,428,084	4.6	350,483	6,644,765	7.9	6,659,485	7.9	36.1	28.9
$100,000 under $200,000	62,576	0.1	8,169,106	1.3	130,547	62,294	0.1	8,130,800	1.3	6,427,148	1.6	62,108	2,995,850	3.6	3,015,664	3.6	46.9	37.1
$200,000 under $500,000	12,930	(4)	3,650,275	0.6	282,310	12,840	(4)	3,625,575	0.6	2,739,998	0.7	12,747	1,525,040	1.8	1,549,394	1.8	56.5	42.7
$500,000 under $1,000,000	1,769	(4)	1,185,371	0.2	670,080	1,750	(4)	1,172,689	0.2	853,637	0.2	1,719	518,070	0.6	533,804	0.6	62.5	45.5
$1,000,000 or more	624	(4)	1,326,934	0.2	2,126,498	621	(4)	1,316,771	0.2	935,938	0.2	613	588,101	0.7	611,599	0.7	65.3	46.4
CUMULATED FROM SMALLEST SIZE OF ADJUSTED GROSS INCOME																		
No adjusted gross income	409,021	0.6	-2,398,331	-	-5,864	1,302	(4)	-95,970	-	-	-	-	-	-	7,364	(4)	(3)	(6)
Under $600	3,461,603	4.7	1,061,104	0.2	307	1,317	(4)	96,031	(4)	-	-	-	-	-	7,412	(4)	(3)	7.7
Under $1,000	6,172,709	8.3	3,229,692	0.5	523	39,814	0.1	34,865	(4)	4,078	(4)	38,470	589	(4)	8,138	(4)	200.4	13.6
Under $2,000	12,453,337	16.8	12,638,843	2.0	1,015	1,294,532	2.2	2,277,889	0.4	339,047	0.1	1,293,154	47,860	0.1	55,497	0.1	16.4	2.5
Under $3,000	18,063,181	24.3	26,595,297	4.2	1,472	5,013,966	8.5	11,609,630	1.9	4,038,625	1.0	5,012,468	594,731	0.7	602,786	0.7	14.9	5.2
Under $4,000	23,214,622	31.2	44,658,794	7.0	1,924	9,213,334	15.5	26,387,908	4.3	11,674,132	2.9	9,211,681	1,797,782	2.1	1,805,957	2.2	15.5	6.9
Under $5,000	28,302,078	38.1	67,584,039	10.6	2,388	13,819,130	23.3	47,173,426	7.7	22,977,682	5.7	13,817,459	3,624,840	4.3	3,633,150	4.3	15.8	7.7
Under $6,000	33,065,412	44.5	93,763,175	14.8	2,836	18,366,419	31.0	72,167,156	11.8	37,044,830	9.2	18,364,710	5,950,695	7.1	5,959,207	7.1	16.1	8.3
Under $7,000	37,712,880	50.8	123,936,956	19.5	3,286	22,908,685	38.6	101,670,090	16.6	54,060,758	13.5	22,906,934	8,831,618	10.5	8,840,263	10.5	16.4	8.7
Under $8,000	42,145,607	56.7	157,164,569	24.8	3,729	27,282,687	46.0	134,461,946	22.0	73,443,766	18.3	27,280,795	12,166,613	14.5	12,173,411	14.5	16.6	9.1
Under $9,000	46,434,546	62.5	193,580,005	30.6	4,169	31,533,102	53.1	170,551,508	27.9	95,186,697	23.7	31,531,168	15,964,865	19.0	15,973,743	19.0	16.8	9.4
Under $10,000	50,614,108	68.1	233,271,571	36.8	4,609	35,704,100	60.2	210,160,617	34.4	119,658,953	29.8	35,702,155	20,293,580	24.2	20,302,548	24.2	17.0	9.7
Under $11,000	54,295,620	73.1	271,880,924	42.8	5,007	39,377,377	66.4	248,684,958	40.7	143,818,105	35.9	39,375,425	24,608,171	29.4	24,617,233	29.3	17.1	9.9
Under $12,000	57,555,939	77.5	309,331,747	48.7	5,374	42,631,719	71.9	286,067,180	46.8	167,853,157	41.9	42,629,732	28,967,083	34.6	28,976,505	34.5	17.3	10.1
Under $13,000	60,346,140	81.2	344,174,585	54.2	5,703	45,416,353	76.5	320,840,945	52.5	190,823,789	47.6	45,414,345	33,202,751	39.6	33,212,314	39.6	17.4	10.4
Under $14,000	62,712,601	84.4	376,091,405	59.3	5,997	47,779,168	80.5	352,709,168	57.8	212,100,375	52.9	47,777,119	37,179,325	44.3	37,189,048	44.3	17.5	10.5
Under $15,000	64,718,719	87.1	405,152,457	63.8	6,260	49,784,010	83.9	381,751,759	62.5	231,871,305	57.8	49,781,935	40,926,529	48.8	40,936,483	48.8	17.7	10.7
Under $20,000	70,260,066	94.6	499,715,194	78.7	7,112	55,318,849	93.2	476,205,561	78.0	298,499,655	74.4	55,316,668	54,151,944	64.6	54,162,993	64.5	18.1	11.4
Under $25,000	72,169,703	97.1	541,934,129	85.4	7,509	57,225,069	96.4	518,363,497	84.9	329,494,325	82.2	57,223,439	60,806,097	72.5	60,818,227	72.4	18.5	11.7
Under $30,000	72,938,092	98.2	562,796,511	88.7	7,716	57,992,292	97.7	539,177,666	88.3	345,136,026	86.1	57,990,037	64,421,951	76.8	64,434,916	76.8	18.7	12.0
Under $50,000	73,856,414	99.4	596,925,872	94.1	8,082	58,908,638	99.3	573,235,444	93.9	371,593,163	92.7	58,906,014	71,564,411	85.4	71,583,166	85.3	19.3	12.5
Under $100,000	74,208,083	99.9	620,068,885	97.7	8,356	59,259,363	99.9	596,314,725	97.7	390,021,247	97.3	59,256,497	78,209,176	93.3	78,242,651	93.2	20.1	13.1
Under $200,000	74,270,659	100.0	628,237,992	99.0	8,459	59,321,657	100.0	604,445,525	99.0	396,448,394	98.9	59,318,605	81,205,026	96.9	81,238,315	96.8	20.5	13.4
Under $500,000	74,283,589	100.0	631,888,267	99.6	8,506	59,334,497	100.0	608,071,100	99.6	399,188,392	99.6	59,331,352	82,730,066	98.7	82,807,709	98.6	20.7	13.6
Under $1,000,000	74,285,358	100.0	633,073,638	99.8	8,522	59,336,247	100.0	609,243,789	99.8	400,042,029	99.8	59,333,071	83,248,136	99.3	83,341,513	99.1	20.8	13.7
All returns	74,285,982	100.0	632,002,240	-	8,508	59,336,868	100.0	610,464,590	-	400,977,970	100.0	59,333,868	83,836,237	100.0	83,953,112	100.0	20.9	13.8

Footnotes at end of table. See text for "Explanation of Classifications and Terms" and "Sources of Data, Description of the Sample and Limitations of the Data."

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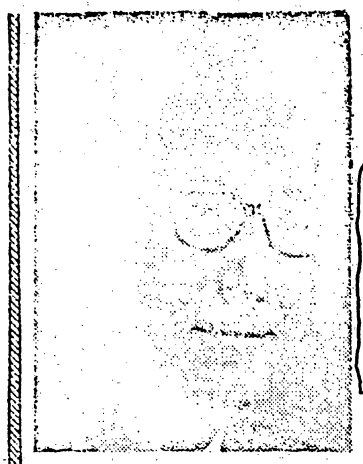
On Business Proposed



HORACE G. MOELLER
States Bankers' Stand

"Piggy-back"

By ALEXANDER MILCH
Evening News Staff Writer

ATLANTIC CITY — The New Jersey Bankers Association recommends the repeal of all state business taxes and the imposition of a simple state income tax—a percentage of the federal income tax — on all companies.

Horace G. Moeller, association president, made the recommendation today at a press conference preceding the opening of the association's 69th annual convention at the Haddon Hall Hotel. Meetings will last through Friday.

Moeller, president of the Colonial National Bank of Haddonfield, said New Jersey tax laws now impose a much heavier burden on commercial banks than on most other business and financial corporations.

Moeller cited a survey by the auditing firm of Peat, Marwick, Mitchell & Co. showing commercial banks pay 60 per cent more in state taxes than corporations of similar size, and 16 times as much as savings and loan associations and savings banks.

"Our proposal is for a . . . state income tax that would meet the test of ability to pay, simplicity and uniformity," Moeller said.

Such a tax, he claimed, could replace the "patchwork" of taxes recommended by the State Tax Policy Committee as a interim solution to the tax problem. It would be up to the Legislature to set rates to insure all companies share the tax burden, he asserted.

Citizens' Share

Moeller said there also is a need to streamline the personal tax structure. He noted the court mandate for school tax revision by January 1974, relieving schools from sole dependency on property taxes. Either a personal income tax or a uniform property tax would meet the requirements of this problem, he indicated.

While commending the Federal Reserve Board's overall performance, Moeller said the association feels it takes too long to reach and publicize decisions on mergers, consolidations and bank holding company acquisitions.

Moeller said that decisions are forthcoming much faster from the U.S. comptroller of the currency and the Federal Deposit Insurance Corp.

Moeller also suggested the Hunt Commission's recommendations for altering the national financial structure ought to be adopted in stages; not all at once. Some of its recommendations are attractive to commercial bankers, he said, but not all. On balance, he conceded, commercial bankers would gain from the report.

To Division of Fiscal Affairs
State of New Jersey
from G.R.I.T., June 8, 1972

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