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

before

SENATE COMMITTEE ON REVISION AND AMENDMENT OF LAWS

ON

Senate Bills Nos. 1, 2, 3, 4, 9, 11, 29, Senate Concurrent Resolutions Nos. 8 and 10, Assembly Bills Nos. 125, 198 and 350.

(TAX ASSESSMENT LEGISLATION)

Held:

March 2, 1960
Assembly Chamber
State House, Trenton
New Jersey

MEMBERS OF COMMITTEE PRESENT:

Senator Wayne Dumont, Jr. (Chairman)
Senator Donal C. Fox

Also present:

Senator Henry S. Haines
Assemblyman Elmer M. Matthews
Assemblyman Charles E. Farrington

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New Jersey State Library

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SENATOR WAYNE DUMONT, JR. (Chairman): The hearing will come to order.

I would like to note the presence of Senator Donal Fox from Essex County, a member of Senate Committee on Revision and Amendment of Laws; Senator Henry Haines, Burlington County; Assemblyman Elmer Matthews, Essex County; and Assemblyman Charles Farrington of Mercer County. If there are any other Legislators here we would be glad to have them come up here and join us.

We have some witnesses left over from the hearing of two weeks ago, that we couldn't get to that day, and I think, in fairness to them, they ought to be heard first today.

Is Mr. H. Russell Brown here? from the New Jersey Manufacturers Association.

MR. SHAMBERGER: Mr. Chairman, I am waiting to hear from him. He is out of State and just as soon as I do I will contact you.

CHAIRMAN DUMONT: Thank you.

Mr. Sydney E. Margolin, Assessor of Morristown who, I think, was here all day the last time. Mr. Margolin we will be glad to hear from you now.

SYDNEY E. MARGOLIN: I am Sydney E. Margolin, and I am Assessor for the town of Morristown in Morris County.

My object in appearing before you this morning is to spotlight the trials and tribulations confronting the assessors of the State of New Jersey in the administration of the household personal property tax.

My troubles, as one of the 926 assessors in the State, are I believe typical and representative. Perhaps my task is made somewhat easier by the fact that Morristown is one of the 116 municipalities that have a full time assessor. When you realize that 810 districts are struggling along on a part-time basis, 387 of whose assessors have an annual salary range of but $100 to a thousand dollars, you come to the conclusion that the assessors of New Jersey are indeed a dedicated lot. It is no wonder that we annually lose one out of six of our assessors. They just go on to more lucrative and certainly more popular occupations.

Someone once said, "Good assessors never die." -- they have sense enough to resign much before. Added to our troubles is the fact that some of our present tax laws, though bound in good intentions, are not sound in actual practice.

Take, for instance, Senate Bill #9. It states: "The fair value of tangible household personal property shall be the value thereof for each household, if offered for sale as a single lot."

On its face, this appears to be a simple administrative task. It is elementary that every occupied house must have furniture. Therefore, it would appear that all the assessor has to do is inspect and make a valuation. But even the mere act of inspection is not as easy as it appears.

We have been educated that a man's house is his castle, and no assessor has the legal authority to enter homes, much less to look into the closet to see how much silverware the wife has, or examine the make and the model of the TV set.

And there are so many kinds and qualities of furnishings that they actually defy efforts to list them. There are, in addition to the various kinds of furniture - rugs, linens, radios, TVs, pictures - works of art and otherwise, cameras, antiques, sporting goods, hobby materials, books, curtains, decorations, records - and in one house, in the rumpus room, I found a slot machine that swallowed dimes.

Granted that you have listed them, what are they worth? What is the basis of value? Where is there an established market for these items where the assessor can obtain records and compare sale prices even on an individual basis, much less per lot as you would have it now.

The answer is simple. There is no such market except the second-hand dealer. But his is a distressed market, depending on the circumstances in each case and not in any sense a true measure of value. The criterion of value in these cases is mostly the time element- such as when does the owner's lease expire so that he must get rid of his accumulated goods?

At this point bear in mind that a conscientious enumeration of the physical property in each home would require personnel and man hours entirely out of proportion to the limited amount of revenue that can be derived from household personal property assessment. Your 810 part-time assessors would do better to devote their time to the equitable assessment of real properties.

The State of New Jersey conducts courses in the principles of municipal assessing. We have an excellent manual to help in real property appraisal, but no part of this course is devoted to the evaluation of household personal goods. This

in itself is an admission of the impossibility of the task.

Remember also that all this work has to be done by October 1st, annually. The furnishings must be there on that date. One day later is too late. Is it any wonder then that many assessors have adopted a policy of non-enforcement and that the assessment of household goods is simply ignored in many districts?

Household property assessment in New Jersey today is found mostly in communities where owner-occupied homes predominate. But it is just here that the elimination of this impossible tax would cause no appreciable shifting of the tax load, and the benefits from the household property taxation are at its lowest.

When dealing with tenants we assessors are further confronted with the mobility of the present generation. People move in and out - a miniature Grand Central Station spread over an annual basis. It is bad enough where the owners are known and maintain rental offices, but what about the thousands of houses that contain one or two apartments, either with or without the blessing of the Zoning Act, and are operated by absentee landlords and rented on a month to month basis.

And what about the collection of the household property assessments once they are levied? It now takes eight months from the date of assessing to the day the bills are mailed out. By then a goodly share of your tenants have moved on. The futility of the whole household property assessment program is evidenced yearly in the disproportionate number of bills that are returned annually marked "Moved - No forwarding address."

Then starts the job of filing special petitions to the County Board to remove these "gypsies" from the records. It's like the old game of playing marbles but not for keeps.

There is at present no method save a law suit and subsequent levy by which to enforce collection of the household personal property tax. However, the home owner must pay his share because it is included in the real property tax bill and the bank insists on payment. It's getting to be quite the smart thing for home owners to request separate bills for household personal property assessment.- one bill to pay, the other one to ignore.

Examine the delinquencies on your tax collections and you will find that the household property tax accounts for the largest share of uncollected taxes that cut down your collection ratio. This high percentage of non-collection further demoralizes the assessors. Even with large expenditures equitable assessment is impossible and most assessments remain uncollected.

Senate Bill #9, section 13, does not help matters by stating: "The owner of household personal property may file proof with the assessor to determine fair value." This appears to be the understatement of the year. If the assessor has no completely satisfactory means of judging value and there is no open market, how can you expect the home owner to become an expert?

This will result in putting a premium on dishonesty. The old armchair that I rest my weary bones in at the end of a day, while watching television, is often worth $100 to me,

But if you ask my wife, it has outlived its utility two years and should be put out for Monday morning's trash collection.

I ask you gentlemen to remove the household property tax. A mere local option will not do. If one district has a secret method of valuation and collection, then the mystery should be passed on to other municipalities. As it stands now, it is a sham and a farce. Assessors turn all colors and they "hem and haw" all over the place when called upon to explain their method of evaluating household personal property.

Some of us, in attempts to create some sort of equality, have devised ingenious rules based on number of rooms, quality of the neighborhood, original cost of the house, and even the type of architecture. These formulas have but one thing in common - they are based on rationalization rather than actuality. It is no consolation for a taxpayer to know that the household personal property assessment on his red house is the same as on all the other red houses in the town.

In 1953, the National Association of Assessing Officers formed a committee to study the problem and the following were its conclusions:

"This committee is convinced, however, that household furnishings should be made completely exempt from property taxation. This study has brought to light the following facts:

1. That the difficulties and the administrative expenditures involved in discovery and valuation of this type of property and in collection of taxes levied on it make taxation of household furnishings infeasible.

2. That it is difficult, if not impossible, to enforce

this tax equitably.

3. That the amount of revenue derived from taxation of such furnishings is not only small in itself but also out of all proportion to the expenditures involved in effecting their taxation; and that

4. The tax is oftentimes not enforced. On the basis of these findings, the committee recommends that complete statutory exemption be provided for household furnishings. The committee believes that elimination of the tax on such property will rebound to the better administration of those elements of the property tax which are more important and more productive of revenue, for the savings in time, money, and manpower which will accrue from the exemption of household furnishings can then be used to good advantage in securing more equitable assessment of those other properties."

The above is not my terminology but an opinion rendered by a committee of assessors representing several states, and after extensive study of the problem.

We must face the unpleasant fact that in the administration of the household personal tax, a situation has developed, not unlike the scorn occasioned by the makeshift enforcement of the Prohibition Act. This is breeding contempt for the rest of our tax laws. Resentment of the inequities of the household property law and contempt for the hypocrisy in its administration is becoming a serious local issue.

The modification in the proposed legislation does nothing to help the gross mal-administration of household property tax assessment. If anything, they complicate matters. I urge

the methods you are talking about, would very definitely be a very small percentage of the whole, would it not?

MR. MARGOLIN: No. I would say the percentage is increasing. People more and more are finding out that there is no need to pay it. The only way you can enforce it is by law suit and levy.

CHAIRMAN DUMONT: Do you think there is any merit to the argument that after all the household goods tax does represent a contribution, no matter how small, by people who don't own land and buildings toward the cost of the government from which they receive services?

MR. MARGOLIN: I'm not denying that it represents a contribution but at the same time there is no method of achieving equality and it has become the practice not to pay it. People in the know, who know the working of it, will not pay this bill.

CHAIRMAN DUMONT: Do you use the household goods tax in Morristown?

MR. MARGOLIN: We use it, we make an effort to use it.

CHAIRMAN DUMONT: Do you find that it costs you more to enforce it?

MR. MARGOLIN: We get more complaints on that score than we get on any other assessment.

CHAIRMAN DUMONT: Do you find that it costs you more to enforce and collect it than you get out of it by way of revenue?

MR. MARGOLIN: I would say that 70% is not collected.

CHAIRMAN DUMONT: Is not collected?

MR. MARGOLIN: Right.

CHAIRMAN DUMONT: Do you have a Board of Assessors in Morristown?

MR. MARGOLIN: We have a Board of Assessors.

CHAIRMAN DUMONT: And they are all full time, are they?

MR. MARGOLIN: No, we have one full time assessor.

CHAIRMAN DUMONT: What would you do, in the event that we did abolish it, consistently your recommendation here, what do you think would result in the way of a shift to other types of personal or real property?

MR. MARGOLIN: I don't think the problem is as serious as it would appear, at least not to my experience. Most of the household property assessments are levied against property owners and those are the ones who pay it and those are the ones who share the biggest part of the burden. Removal of the household property tax would not shift the load to any considerable proportion.

ASSEMBLYMAN FARRINGTON: Sir, was your answer to the last question based on the fact that you apparently collect only 30% of the household goods tax bills?

MR. MARGOLIN: Yes, based on that and based on the fact that actually no household property assessment is levied on apartment houses. There is just no method of locating individual two and three family houses.

ASSEMBLYMAN FARRINGTON: But if you did collect 100% would you have answered the question differently? would there be a shift to some other taxpayer?

MR. MARGOLIN: No, I still would not have answered the question differently because I don't think the assessment

is equitable.

ASSEMBLYMAN FARRINGTON: I gather from what you say that if the local option remained in this proposed legislation you would request your governing body to eliminate it?

MR. MARGOLIN: I would state the facts to my governing body and tell them that I have no method, and I know of no method for evaluating personal household property.

ASSEMBLYMAN FARRINGTON: Now one final question - for how much did you assess that slot machine? Don't answer that.

CHAIRMAN DUMONT: Any questions from anybody in the audience?

SENATOR HAINES: I would like to ask a question and if the gentleman can't answer it maybe someone in the room can, to my satisfaction. Can an owner demand a separate tax bill for real estate and a separate tax bill for personal property?

MR. MARGOLIN: I have gone into it with the Town Attorney and he is of the opinion that he could do so.

SENATOR HAINES: They can demand it.

MR. MARGOLIN: It is our practice to give them separate bills where they wish.

CHAIRMAN DUMONT: Do you use a separate bill system?

MR. MARGOLIN: Yes, we do. Upon written request we will give them a separate bill.

CHAIRMAN DUMONT: Trenton uses that system too, does it not? Do you know? I think they do.

You have a question? Will you identify yourself, please, and speak into the mike.

DONALD MORRISSEY: I am Donald Morrissey, Assessor, City of Trenton. If we eliminate personal property on household goods, which you claim is quite a problem and I agree it is a problem to collect it, do you have any substitute in mind to replace the personal property tax on household goods?

MR. MARGOLIN: No, I don't.

MR. MORRISSEY: Would you go along with a suggestion of a head tax as a means of replacement?

MR. MARGOLIN: I would have to consider the problem further. I haven't given it any thought.

MR. MORRISSEY: But the people who do not own real estate receive the same services as the person who owns real estate. And if your policy was adopted, they would contribute nothing to the support of the government.

MR. MARGOLIN: I don't think I made myself clear. I have no objection to the household property tax if you could find a method of creating equality in assessment and a proper way of enforcing it. I do believe that renters, apartment house renters should pay some portion of the local tax bill but the present method is inequitable and they are not doing it anyhow.

MR. MORRISSEY: Would you go along with a suggestion to raise the statutory exemption from $100 to a higher sum so that the small ones would be eliminated?

MR. MARGOLIN: How is that going to help the situation?

MR. MORRISSEY: Well, the collection problem would not be so great, for one thing. You would have less people --

MR. MARGOLIN: You would be shifting the burden from the poor to the rich.

MR. MORRISSEY: Well, yes.

MR. MARGOLIN: I do not agree with that.

MR. MORRISSEY: That's all I want to ask.

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

Mr. William P. Watson, New Jersey Farm Bureau.

WILLIAM P. WATSON: Mr. Chairman, my name is William P. Watson and I am Secretary of the New Jersey Farm Bureau, a private farm organization financed by voluntary dues paid by more than 6,500 farm-family members. The New Jersey Farm Bureau is a federation of County Boards of Agriculture. I have been authorized to state that the testimony presented here also represents the position of the New Jersey State Grange.

On behalf of our members, I express their appreciation for the opportunity to give their views on the matter of property tax assessment legislation, a most vital concern of all New Jersey property owners at this time. Farmers consisting of less than 3 percent of the State's population, but in the unique position of paying taxes on approximately 33 percent of the land of the State, are very interested participants in any matters regarding payment of property taxes.

May I say first that our organization has long maintained the real solution to the tax problem is a

replacement tax which would relieve the heavy burden of tax on landowners rather that on re-shuffling of taxes among landowners. We have urged the adoption of a state selective sales tax as the means of shifting the tax burden and slowing down at least the rapid acceleration of real estate taxes from a speed which has seen the state total double in the last ten years.

The New Jersey Farm Bureau commends the Legislature for the forward steps which have been taken in regard to the assessing problem in recent years. It has been a long-range program to approach this problem and bring the practices more in line with the changes which have taken place in New Jersey real estate. The work of Local Property Tax Bureau, the publication of the Assessor's Mannual and the establishment of the Assessor's School at Rutgers University have all been forward steps. It is now quite logical that the question of uniformity would be the next step in bringing about the modernization of our assessment procedures.

The legislation of last year which would have set up the assessment program on a statewide level was supported by the New Jersey Farm Bureau after certain safeguards were provided for the unusual land-owning burdens of farmers. Our organization now feels that the new proposal of countywide uniformity would be preferable to the statewide proposal.

We, therefore, support Senate Bill 9, but ask for three changes:

First, we respectfully submit that the provision for the assessment of farmland as contained in Senate 1 be

substituted for the provision in Senate 9. It is our feeling that the Senate 1 provision is more to the point and less likely to misinterpretation.

Secondly, growing crops have historically been exempt from taxation as personal property, and we trust that nothing in these bills being considered today will alter this situation. With this in mind, we suggest defining or modifying the word "crops" so that its meaning will be crystal clear.

Thirdly, we urge that farm machinery and farm livestock be eliminated from the farm personal property tax. In November, 1959, the members of the New Jersey Farm Bureau at their annual meeting adopted the following policy"

> "It is recognized that agriculture has one of the largest investments per worker of any industry in this nation. Further, there are great variations in the procedures used by assessors for personal property assessment of farm equipment and livestock. The tax is inequitable and highly controversal. We recommend that the personal property tax on farm equipment and livestock be eliminated."

This is the feeling of farmers throughout the State. In our procedure for developing policy, the county units of the Farm Bureau, the County Boards of Agriculture, meet locally and make various recommendations. Every member has the opportunity to express his opinion. The county recommendations are then sent to the State annual meeting. The final formulation and adoption of this issue were unanimous.

It is unmistakenly true that farm machinery is one of the largest investments which a modern farmer has to make; that with less qualified workers and, therefore, more machinery this investment is getting larger; that this means one of the highest investments per worker in any industry; that unlike industrial machinery which may be used every day, or at least every week, much of our most expensive farm machinery is used only a few days out of the entire year.

In addition, we particularly wish to point out that the total amount of taxation on these items is almost infinitesimal in the tax picture. In the statewide tax totals, in contrast to real estate which amounts to around $800 millions, these farm personal property taxes only total throughout the State, the entire State, approximately $1,200,000. In most municipalities of the State, there is no tax income of this nature. There are only a few municipalities where this is a factor of any importance. We submit that in these rural municipalities, if this tax was eliminated the amount would be shifted to the farmers anyway to be paid through real estate.

We urge your support in amending the legislation to eliminate farm equipment and livestock.

If your committee desires, we would be glad to furnish data showing the cost of equipment, the number of days used throughout the year and the statistics involved in a farming community in shifting this from a farmer's personal property tax to the real estate tax.

In conclusion, we favor the establishment of a

uniform level of assessment on a countywide basis with the above-mentioned safeguards for this unique situation of farmers in this changing state.

CHAIRMAN DUMONT: Any questions of Mr. Watson?

Now, Mr. Watson, the language that you want included in regard to farm land is what was in Senate 81 last year and also in the identical Assembly Bill until I think it was amended last year, and it is back in Senate 1 this year - which, as I recall it, says that farm land in active agricultural use shall be assessed as farm land and not for any potential value it might have for building subdivisions or industrial sites. That's the language you want. Is that correct?

MR. WATSON: Yes, Senator Dumont. I don't think it's exactly as you word it but it is the same idea.

CHAIRMAN DUMONT: Well it isn't exactly, no, but you prefer that to the language which might otherwise set up a presumption in regard to discrimination which could be rebutted by clear proof produced by the assessor or some other municipal official.

MR. WATSON: We feel that both of these might be aimed at - I am sure they are aimed to do the same things but the provision in Senate 1 was more direct and less likely to be misinterpreted. That was our point.

CHAIRMAN DUMONT: So that's the language you prefer, in other words? Is that right?

MR. WATSON: Yes.

CHAIRMAN DUMONT: Assemblyman Matthews now has a

question on this point.

ASSEMBLYMAN MATTHEWS: On that same point, have you requested any legal opinion, for your own personal reasons, as to the constitutionality or non-constitutionality of that language?

MR. WATSON: No, Assemblyman Matthews, we have not.

CHAIRMAN DUMONT: Any other questions now on that point?

Now your second point here is that you would like to have growing crops exempt - I suppose specifically exempt because you say that historically they have been exempt and you would hope that nothing would change that situation.

Assuming for the moment, and I don't say that we are going to exempt them but assuming that they were exempt, have you any definition in mind as to just how you would define crops so that it would be crystal clear?

MR. WATSON: Well, historically the word that we use -- and, of course, this is true in present statute, in which it is spelled out I think probably in the best way and this is in Title 54:4-3.28, passed in 1943, in which it provides for crops which have not been severed from the ground.

CHAIRMAN DUMONT: What's that citation?

MR. WATSON: 54:4-3.28. And we felt sure that the way the bill was prepared this was taken into consideration but we just suggested that the word "crops" might be modified so that it might be consistent with that present law.

CHAIRMAN DUMONT: Now are there any questions, by the way, by anyone else on this point, about crops?

Now, your third point, about having farm machinery and farm livestock eliminated entirely from the farm personal property tax, let's for the moment forget about the relatively small amount of money which you say these farm personal property taxes produce as against the $800 plus millions that will be produced this year in real and personal property taxes -- as a matter of fairness to other types of business do you still argue that it would be right and just to eliminate farm machinery completely from personal property tax on business machinery and equipment?

MR. WATSON: Well, yes. That's what our statement is. The point being that it isn't comparable in our thinking - it isn't comparable to industrial machinery. An example might be a printing press which is operating, if not every day, almost every day and the fact that a piece of farm machinery, for example a combine, which is a necessity on a farm in New Jersey, if you are growing this particular kind of crop - a grain crop, and which might be an investment of something like $15,000 and would only be used at the most possibly 15 days out of the whole year. This is an investment which a farmer has made because he doesn't have the labor available and he has to have the machinery in order to meet the vagaries of the weather which only allow for certain days in which this crop can be harvested. So it is in a different category, we feel, than a piece of industrial machinery.

CHAIRMAN DUMONT: Yes, but you admit in your statement here, on page 3, that not all industrial machinery is used all the time either. There is certainly some industrial machinery that might be used not too much more than some items of farm machinery throughout the course of a year.

MR. WATSON: Yes. Of course, in dealing in generalities and averages certainly the farm machinery would be in a different category, from an average viewpoint.

CHAIRMAN DUMONT: Are there any other questions of Mr. Watson? Does anybody in the audience want to ask Mr. Watson a question?

Thank you very much.

Mr. Thomas Hunt, Director of Revenue of Newark.

THOMAS E. HUNT: My name is Thomas E. Hunt, Director of Revenue, City of Newark, New Jersey.

CHAIRMAN DUMONT: Welcome back again, Mr. Hunt.

MR. HUNT: Thank you, Senator.

Mr. Chairman and gentlemen of the Committee, I am going to first put my remarks to Assembly 198 and Senate 9. After I read them I thought of the old gag - I don't know which came first, the chicken or the egg. Evidently this is the same thing. These two bills are about the same. I didn't say yet that they smell as bad as an egg but they are close to it.

The impression I get from going over these bills is that it is very hard for me to believe that any member of the Assembly or of the Senate could draw such a bill.

My understanding of our tax problems over the last few years was that the purpose of getting legislation was to devise some method of equally distributing the cost of government, not to draw bills to benefit one or the other. And in these two bills - certainly if the Chamber of Commerce was to draw the bill I don't think they would have the nerve to ask for some of the things that are in this bill.

Now in page 1 you are talking about - each county board of taxation shall prepare their ratio --
and it looks to me like you are settling for something less than the best. If you want to get good assessment, in my opinion, and uniformity you have got to go to county assessors.

You are hearing testimony about part-time assessors in the State of New Jersey and your salaries in the State of New Jersey, and if we are honest with one another we know that there is too much politics getting into the assessor's office.

You may say to me that the assessors have a term of four years. We only recently had a few cases brought before us that while the term is four years the political body, because of his independence, is reducing his salary. So your four year term automatically gets wiped out when you take away his means of a living.

That is one of the reasons why I think that county assessors might be your answer. You will get better qualified men and when you pay a man more money you can expect a better job.

Now I notice in A-198 and in Senate 9 that not only do you give a special ratio for inventory but you exempt inventories of raw material, supplies, work in process and small tools. Sometimes I wonder how far the legal profession can stretch small tools. A carpenter's hammer might be a small tool in one profession and a drop hammer a small tool in another use.

Now let me give you a few examples - and these are not taken from the Tax Policy Commission which are not thoroughly analyzed as to their purposes but this is a result of an audit made of a couple of companies in my city.

In the first case, the personal assessment of this company at the present time is $4,650,000; then that figure on fixtures is $3,037,000 which gives me, 50%, $1,518,500. They have an inventory of $6,376,000. So when you use 12½% you come down to $797,000. So you will have a total assessment on this concern of $2,298,850 against the $4,650,000. This does not have any question of work in process. This is all finished goods.

Another one of these concerns - and I took these two because I knew I had reason to make audits on them in the last year and because they are in my first district in the City of Newark. The other one is assessed for $1,900,000. Their inventory is $2,292,223. At 12½% it gives you $286,528. The fixutres are $658,697 at 50% which makes it $329,348 or a total of $615,876 against $1,900,000.

I have another outfit in that particular district

that I carry a personal assessment on of $26,000,000. They tell me that the fixtures, etc. on their books are $35,000,000 which means that will be assessed at $17,500,000. Of that $32,500,000 in assessment I will wind up with a loss of $12,500,000. And don't forget, I haven't mentioned about the raw materials. That $12½ million in tax ratables means $1,250,000 in tax dollars. It has no place to go but back on the home and real property. Then you tell me that this is uniformity? Common sense will tell you that in analyzing any factorythat everything in that factory will be work in process or raw material, except the finished goods. And I can picture, for example, some of the automobile plants in Linden in which everything there is raw material or work in process and as it comes off the assembly line it goes out and there is no finished product left.

And the only finished product I will find in my factory will be the finished goods that is made up during the day for which the truckman or the railroad didn't give them a car in which to load it. Otherwise there will be none.

Now our inventories in the City of Newark today have an assessed value of $65,500,000. I estimate that 60% of that will be lost through this raw material, or $39 million. That means in tax dollars $4,027,885. So I can see on just those two items a potential loss of $5½ million in the City of Newark. You put $5½ million on the homes - and bear in mind this is the City of Newark and the earnings of the people living in the City of Newark

amount to about $86.00, which comes from your State Department - $86.00 a week.

Now this, in my opinion, is wrong. I am not estimating what may be lost by the use of book value but let's assume for argument sake that you buy a home for $15,000 in 1954 and I buy $15,000 worth of machinery and when they set up the machinery on their books in most corporations, while it may cost them $5,000 for the electrical wiring and labor in setting the machine up and get it going in use, as a general rule the machinery is carried on the books at the cost, $15,000. Now in 1960 we have had inflation and we have plenty of inflation. That $15,000 home today probably will sell for $18,000 to $20,000. On your real estate you say "current value," that's today's value, so that home is going to be assessed at $18,000. The machinery that was bought in 1954, if he is under an accelerated rate of depreciation he has no more left on his book. So all we are entitled to is 20% of it. We will be entitled to $3,000 and then we will use 50% or $1500. So you will have the machinery paying on $1500 and you will have the home paying on $9,000.

Now if that is equality then I better start all over again.

Now that concludes most of my remarks on those two bills. Of course, in the two bills also they have a provision in which they allow the assessor to give an extra month extension. That would bring it to January 31. The assessor must file his books on January 10th.

Now I notice that in the same bill you are very careful to mention that all property must be revalued, as far as local homes are concerned. I don't find anything about revaluation of railroads.

Well, let me tell you from my experience in investigating our railroad division in our department, under our Commission, that it is worse than any assessor's office I have ever visited and I have visited quite a few of them. I will give you an example.

I had occasion to look up an improvement in the City of Newark. In 1947 they refigured and revalued the building. They came up with a value of $6,319,000. They assessed it for $3,200,000. And then they tell you that it's 100% value. They have not made any change or adjustment on that particular assessment on its records of any shape outside of an arrangement in 1949 whereby this railroad in the City of Newark entered a stipulation under which we had the assessment increased on that particular improvement.

Recently I had cause to go in on the railroads and the head of the division refused to be a witness. And there is no way I can get records in for my hearing when the witness in the department refuses to testify.

I think those records are public. I think the head of the division has a duty to submit those records for our inspection.

Sure we have heard a lot about railroads being over-assessed.

I'll give you another case in the City of Newark --

the reason I am limiting it to Newark is that that's all I am acquainted with -- in which the assessment was $300,000 and they reduced it to $210,000. The railroad - and he's one of those out in front, too - he's asking for $850,000 for it, he turned down $400,000, I know he's been offered $500,000 for it, and still I get these cuts.

Now, if you are going to have something for the homes - and don't forget the homeowners have a tough job living - then it should apply to all property. There is no reason why the railroads shouldn't be revalued. If they are over-assessed I'm the first one willing to admit it. And I think if you talk to the railroads you will find that they know that's my theory. But every year I recall different bills in which the railroads would be revalued. And you haven't done anything about it. But you come along in this bill and you say that unless revaluation takes effect then you can't do anything about it.

You ought to have in this particular case - where it says that after a revaluation you file every three years. If there is no revaluation, there is no provision in the bill as to how often you've got to file. There is no detail here as to whether or not you file a duplicate every year or whether you file a duplicate every three years.

Now it's ridiculous having the assessors making up a book every year. And we are honest about it. Probably 90% of it is copied from the previous year's assessment. There are no big changes made in assessments over the period of a year unless you have a political body that's pushing you

to bring down the tax rate.

Now on the household exemption, the City of Newark is in favor of abolishing it. Whether it be statewide or whether it be by local option, it's immaterial to us.

In answer to a question asked the gentleman from Morristown, I would like to explain to you what will happen in the City of Newark. If household assessments are abolished in the City of Newark, the City of Newark will save money because we will not need the amount of field men; we won't need the work of the addressograph department; we won't need it in our billing; and we certainly won't have as much work in our cashier's office and our personal arrears' office. So in the final analysis, the amount of money we get out of household personal today will be more than offset by the savings in the cost of the operation. We have $55,000 household assessment and we do not assess everybody. So, in my opinion, household should be exempt.

Now I don't want to go so far as to say that is the condition in all towns in the State of New Jersey because if I did I would be wrong. Some towns have a very good rate of collection on it. But in most residential towns the only people you will find being assessed today are the one-family houses. So, actually, it's a waste of time. When you take it off in those particular towns it will go on their real estate, so it will come out of the same pocket and save a certain amount of work.

Now that about sums up my remarks on those two bills.

Now you have another bill before you in which you want a county supervisor. You won't need that if you have county assessors. And, secondly, I don't think that you in your own towns would advocate having two chiefs of police, which you would have because the county board of taxation today has all the powers of equalization, they have all the powers of investigation, so what you are doing is creating actually two chiefs of police, and that is ridiculous.

Now on Senate 1. You still have the same problem of the thirty day situation, and you also have the inventories.

I can tell you gentlemen that so far as the City of Newark is concerned the administration of the City wants to tax everybody equally. We don't want to give one a break at the expense of the other. And if you want to straighten out taxation and if you are going to have too much trouble, -- personally, I don't see any reason for any legislation because the only problem today with the present legislation is that none of us enforce it. But the tools are there. And you don't need it if you want to go to 100%. It would be very simple, if you don't want to go to 100%, in my opinion, to pass a simple bill in which you will say that the taxable value of all property will be 50% of the true value. Then you don't have to go into all these ramifications of all these bills.

Now, Senate 2 is where you are giving us a little break on the coefficient of dispersion factor, going 15% either way. Whether it is 10% or 15%, I wouldn't worry about it too much, but I would say you would have to have at

least a 10% variance. No matter what book you read or what school you go to, they will tell you that an appraisal is not an exact science and there is nobody who can come out with 50%. I don't hesitate to say, I don't care if you have the best appraiser in the world, that the minute he gets through with his books it is no longer the ratio he intended because of the human element in the prices paid.

Now, I would like to see in Senate 2 the same request that was made for a few years that in order for anybody to file a deed the revenue stamps should be attached to that deed before it is filed. In none of these bills do you make it compulsory for the property owner to file a return showing his income and expenses on income producing property. And today the courts recognize capitalization even though I think it's classification, because when you capitalize a property you will never get the value out of it, what the property will sell for.

Senate 3 is the gross receipts bill. And that concludes my remarks.

CHAIRMAN DUMONT: Any questions of Mr. Hunt?

ASSEMBLYMAN MATTHEWS: Tom, you interested me with your remark that you thought A-198 could have been drawn by the State Chamber of Commerce, because I think you were here the last time when the State Chamber of Commerce was beating me severely about the head and shoulders for things that they thought were wrong with the bill. So it's the old expression - you're damned if you do and you're damned if you don't.

MR. HUNT: John McGovern told me that day - why should we criticize them for something when it was put in there.

You know John comes from the same locality that I do.

ASSEMBLYMAN MATTHEWS: Well Tom, you feel then that there should be no difference between real property, personal property and inventory? Is that right? That it all should be taxed at the same ratio?

MR. HUNT: Well, if you want to give some individual interest a break - and I'm different than most of the people you have been listening to because they have been representing special groups. I happen to represent and speak for the people in the City of Newark in which all types of property are involved. Therefore, I don't find fault with these various groups trying to do good for the people who are paying them. I am trying to do good for the people who are paying me. I certainly do not believe that if you want to stay honest - if you want to give it, give it but don't say it is with the purpose of bringing chaos out of assessments. You don't use a subterfuge. My argument is, let's go out in the open. If you want to give an industry a break, give it, but don't use it in conjunction with trying to bring chaos out of assessment problems.

ASSEMBLYMAN MATTHEWS: Well, do you believe that inventories should be taxed at the same level as business personal property, as a personal opinion?

MR. HUNT: I believe that at the present time there shouldn't be any change made in it. Probably over the next five years when we have had some actual experience it may come to that conclusion. Taxes are not a big problem. I never had trouble with taxes with industry. The trouble

with industry today is getting area. You'll notice as you go through the State of New Jersey - you take only recently, and I certainly read it, in Sunday's paper you found that in the town of Union they have to keep moving because they can't get area. It's not a question of taxes. I think they are more interested in stability in taxes than they are in the amount of the tax dollars themselves.

ASSEMBLYMAN MATTHEWS: Stability, Tom?

MR. HUNT: Yes. One year after the other. That's the reason last year, you will recall, when I appeared before the Tax Committee here, that I advocated taking it away entirely from the local and letting us have an increase in the franchise tax or something to compensate for it. I think they would be better off and everybody would be better off to know what their taxes are rather than waiting until I get finished with my book. They don't know whether I'm going to add an extra zero to it or take one off. I think they would be better off with their own method.

ASSEMBLYMAN MATTHEWS: Well, do you believe that business inventory and business personalty should be taxed at the same ratio?

MR. HUNT: Yes, I do, because you know and I know from experience between the two of us that the taxpayer takes care of himself, that even though he has costs on his books he still writes down, as you know, 15%.

ASSEMBLYMAN MATTHEWS: Tell me, Tom, do you think you are getting at all the business personalty and inventory in the City of Newark right now, for the purpose of assessment?

MR. HUNT: From an equalization standpoint?

ASSEMBLYMAN MATTHEWS: No. Are you taxing it all now?

MR. HUNT: I would say that we are taxing it all. See, in the Tax Policy Commission Reports it will show a certain low ratio. I went into it and you know we have on Elizabeth Avenue - and the others might know who I have reference to - but we have several television and radio places there and they sent in reports, which finally ran up in the Tax Policy, of several million dollars worth of inventory. Now that inventory was in a warehouse. So it wasn't taxable. And it isn't fair to use those figures in arriving at a ratio of what we are now assessing personal property. I would say that the personal property assessment - and I am talking again as far as the City of Newark even though it may apply to the entire state - is bad, it's not equalized, because there is no compulsion on the part of the taxpayer to divulge what he has. It is impossible for any city or town to go in and inventory his machinery and his inventory and to do it properly. I think if it's compulsory to file these returns that after a period of five years it might need study but today you are digging around in the dark and we don't know whether it's good or bad.

ASSEMBLYMAN MATTHEWS: Do you think it's a fair statement to say, Tom, that in both of these bills, since you do have a compulsory filing requirement that you or any other assessor will be able to more fully get at all personal property in your taxing district?

MR. HUNT: Yes, I would say so.

ASSEMBLYMAN MATTHEWS: Could you speculate for me at what level or at what ratio the City of Newark - if you don't want to limit it to the City of Newark, the municipalities in Essex County assess business personalty and inventory?

MR. HUNT: If I gave you a ratio I would be telling you a lie. I don't know. I don't think any assessor knows what their personal property assessment is.

ASSEMBLYMAN MATTHEWS: Do you think it is close to the real ratio?

MR. HUNT: No. Some are high and some are low. I wouldn't hesitate to say that some maybe 5% and some 95%. There is no way of knowing today. While I'll send out, have delivered, approximately 16,000 statements for them to file if I get back 2% of them, that's all I get, of the 2% I would say 1% of them is a lie.

ASSEMBLYMAN MATTHEWS: I think that's a very candid and very true statement. I agree with you. One remark you directed against A-198 was the taking out of raw material, supplies, work in process and small tools, and you criticized that because you felt if that were taken out that load would go nowhere else but on the home owner. Isn't it true or isn't if possible that if you turned up more business personalty and more inventory some of that load or a goodly portion of that load could go --

MR. HUNT: Yes, but where is it coming from? In my early investigation of the two cases I mentioned - and I think you knew the two cases because I saw you leaning over to Don -- you know when I have $33,000,000 and three

companies, out of $140,000,000, and I lose 12½, I've got to go very fast to pick it up. I don't believe that's possible, in my own opinion.

ASSEMBLYMAN MATTHEWS: Well, there is an area in which you can sort of conjecture where that load might fall, isn't there?

MR. HUNT: I don't think it will produce as much in ratables as we have today in the City of Newark.

ASSEMBLYMAN MATTHEWS: But we won't find out until we get those returns, right?

MR. HUNT: But how about your poor homes? How about your $86.00 a week man instead of the $86.00 dividend man?

ASSEMBLYMAN MATTHEWS: Well, I'm thinking about them too.

MR. HUNT: Well you know the homes in Newark are going to be increased under this 50% ratio or 40%, whatever it is. Common sense tells you, and you have enough knowledge around the City of Newark to know that every single home will be increased in value.

ASSEMBLYMAN MATTHEWS: If we pass no bill down here and your revaluation goes into effect in Newark, will home owners be increased?

MR. HUNT: They'll be increased in value but it might push down the tax rate because if I had the power to compel every taxpayer to file a return and assess them at 50%, the same as the homes, I know I'll produce a lower tax rate. So in the final results the tax dollars may not be

any greater than they are now paying. I have talked to many concerns about it. For example, I have one concern in the City of Newark today that I have assessed for $2 million; under 12½% inventory, if there's no exemption in raw materials I'll get an increase of maybe $100,000. See? On the other hand I have a precious metal outfit and I know if we go to 50% they have got to get their material out.

ASSEMBLYMAN MATTHEWS: Well, what would be the impact on the City of Newark if we did nothing and you had to go to 100%, not only for all real property but also for business personalty and inventories, with a compulsory filing requirement.

MR. HUNT: If there's no compulsory filing --

ASSEMBLYMAN MATTHEWS: If there was.

MR. HUNT: Oh, if there was. We would probably come up with a tax rate of about $3.00, in my opinion.

ASSEMBLYMAN MATTHEWS: Would there be a shift of the burden?

MR. HUNT: Yes, there will, between the classes, and it will bring down the taxes on our retail and commercial part down on Broad Street, and so on, which you can see is going to blazes now. Right?

ASSEMBLYMAN MATTHEWS: So actually when you get right down to it, the criticisms you leveled against 198 you leveled equally against S-1, with the exception of the raw materials, supplies, work in process and small tools.

MR. HUNT: That's right. Raw materials are not exempt in S-1. In fact, I was wondering if that was picked

up down around Barbados when the Governor was on his trip because it came out of the Governor's Message, I assume.

ASSEMBLYMAN MATTHEWS: There are a couple of other things you talked about, Tom. I don't want to labor the point on that but actually the only difference between 198 and S-1, so far as you are concerned, is the raw materials provision, is that right?

MR. HUNT: Yes, but S-1 has the 12½% in it.

ASSEMBLYMAN MATTHEWS: Yes, that's what I say. They both use that 4-4-1 formula.

MR. HUNT: That's right. In fact, if we are going to give an advantage in here to inventories, etc., then we are better off without any legislation. I am talking about people with homes. Now, you very neatly buried the homestead exemption under which you might protect your homes. Incidentally, I met the Senator in New Brunswick last year and we were talking about this turnpike deal and I told him, "Don't throw it at the people, throw it out." and I'm telling you now, if this comes in the people aren't going to like it. I can't expect to get $700 a year from a man who is earning $86.00.

ASSEMBLYMAN MATTHEWS: Would you recommend the homestead exemption?

MR. HUNT: I fought for it last year and my feeling is that way too, but in this Legislature, unless the complexion has changed from last year, the chances of getting it are going to be very small. It appears to me like this Legislature might have been elected by the Chamber of

Commerce. I might have to go back to the people to get a new legislature.

ASSEMBLYMAN MATTHEWS: Well that happens every two years in the Assembly, Tom.

MR. HUNT: I know that.

ASSEMBLYMAN MATTHEWS: What type of homestead exemption would you recommend?

MR. HUNT: That will depend upon the ratio. If the ratio is 50% I would think $2,000 would be ample.

ASSEMBLYMAN MATTHEWS: $2,000? To what types of homes?

MR. HUNT: I would give it to all homes in which the owner resides in the house. I would give it to no property in which the owner does not reside because where the owner resides in the house the upkeep of the property is much better than where there is a tenant, and therefore will hold the value much longer and you will get back some compensation in the retaining of the value of the neighborhood.

ASSEMBLYMAN MATTHEWS: Would you limit it to the number of families living in a house?

MR. HUNT: No, I would not. I don't think you could do that.

ASSEMBLYMAN MATTHEWS: So, with a 50% ratio, you would want a $2,000 owner-occupied homestead exemption.

MR. HUNT: That's right.

ASSEMBLYMAN MATTHEWS: You raised the issue, Tom, about the extra 30 days, the extra month's extension on the reports on personal property, and you said that would take us past January 10th, the filing date?

MR. HUNT: That's right.

ASSEMBLYMAN MATTHEWS: Well, doesn't the bill call for filing on October 1st?

MR. HUNT: Yes, and they have three months, so three months from October brings me up to December 31, without an extra month's extention. The extra month's extension will bring you to January 31 and your roll must be filed by January 10th. It doesn't necessarily follow that we all live up to it.

ASSEMBLYMAN MATTHEWS: Well, doesn't it require that to be filed on October 1?

MR. HUNT: Yes.

ASSEMBLYMAN HUNT: And the 30 days extension runs after that?

MR. HUNT: No, not the way I read it.

ASSEMBLYMAN MATTHEWS: Page 4 of 198.

MR. HUNT: Then it should be page 4 on 9 so I don't have to turn it. If you will go down, Mr. Assemblyman, to line 16 on page 5 you will find that the penalty clause talks about after October 1, if he has the right to file up till then.

ASSEMBLYMAN MATTHEWS: That's in the case of delinquent returns.

MR. HUNT: Yes.

ASSEMBLYMAN MATTHEWS: Oh, I see what you mean.

The one other point you raised was the assessment for a three year period. That calls only for assessment of real property, not personal property. You know that?

MR. HUNT: Well, that's proper, because personal property - first of all, the personal assessment will change during the year but real property doesn't change. And the assessments are levied against the property itself and not by the individual. But I believe that if you adopt a three year program of filing and you have it that your taxpayer can only appeal from the first year when the assessment is levied you will cut down a lot of work through our various county and state boards, through the assessor's and collector's office and give us a more stabilized tax. And we won't have to set up a reserve for uncollected taxes in the sums that we have to put up today.

ASSEMBLYMAN MATTHEWS: But the point I am trying to raise is that this three year assessment only covers real property, not personal property.

MR. HUNT: Right.

ASSEMBLYMAN MATTHEWS: You agree with that?

MR. HUNT: That's the only way I think you can do it.

ASSEMBLYMAN MATTHEWS: Now, so far as S-2 is concerned, this 15% variance in the coefficient of dispersion, do you think it should be lower than that 15%?

MR. HUNT: I think 15% will give us plenty of protection. I think that probably 10% would be better.

ASSEMBLYMAN MATTHEWS: You think 10% would be better?

MR. HUNT: I think when we go more than 10%, one way or the other, we are getting a little sloppy.

ASSEMBLYMAN MATTHEWS: I base my reasoning on that and I think this Committee based its reasoning on that - that study by the National Assessors group, where they found out that there was at least a 15% coefficient of dispersion in, I think, 90% of the taxing districts that are checked. That's the basis for the figure. What reason would you have for lowering it from 15 to 10?

MR. HUNT: Well in all our teachings, when you take a course for an MAI or any real estate things, it is pointed out that appraisal is not an exact science, it generally gives a suggestion of 10% either way on an appraisal. In other words, if I appraise a property for $100,000 and it sells for $110,000 it is considered a good appraisal, - it's an exact science, because most of us making appraisals - I mean I get a great kick out of it myself because sometimes I'll make an appraisal for a man who is putting in a half million dollars and I haven't got a half million cents - most of us appraisers don't have any money, we don't buy property. But we are telling the invested money that we know more than they do. So if we come within 10% of it, I think it's a good job.

ASSEMBLYMAN MATTHEWS: Then you think that that variance should be 10% based on practical appraisal experiment rather than on any cross checking of assessment districts.

MR. HUNT: I would like to see it 15 but I am willing to go to 10.

ASSEMBLYMAN MATTHEWS: Oh, you like 15?

MR. HUNT: Well, I'd like 50.

ASSEMBLYMAN MATTHEWS: Well 15 is in this too, that's why I questioned you. Would you be opposed to S-2 with the 15% variance in coefficient?

MR. HUNT: No. I am not opposed to that.

ASSEMBLYMAN MATTHEWS: There also is -- that same bill is pending, Tom, I'll call it to your attention, A-127, requiring that revenue stamps be attached to the deed. I think that has been introduced the last four or five years here in the Legislature.

MR. HUNT: We don't get it because there are too many lawyers in the Legislature.

ASSEMBLYMAN MATTHEWS: I can remember only three or four days ago, I think, getting a press release from the Mortgage Bankers Association where they indicated that they are violently opposed to Assembly Bill 127 because it destroys the right of privacy in personal and real property transactions. But I think 127 - I think I can predict that it is going to pass the Assembly this year and I think maybe we can pass the buck down the hall to the Senate.

I think I have taken up too much of your time. Thank you very much.

CHAIRMAN DUMONT: Any other questions by the Committee?

Tom, I have a couple here. Do I gather from you that you think that countywide assessing would be a better practice than having municipal assessing, as it is today?

MR. HUNT: Much better.

CHAIRMAN DUMONT: You feel you get not only better pay but better qualified people, generally, doing the assessing?

MR. HUNT: That's right.

CHAIRMAN DUMONT: In other words then you agree with, I think it was the Sixth Report of the State Tax Policy Commission which recommended countywide assessing?

MR. HUNT: Yes. I started advocating county assessing in 1935 at the convention in Atlantic City.

CHAIRMAN DUMONT: I take it you don't like this exemption or any exemptions from the inventory tax. In other words, if we are going to have an inventory tax at all you would rather leave it the way it is than have certain items exempt from it?

MR. HUNT: That's right, because as you will recall from my previous appearance before you, what you are doing with your exemptions is tearing away the foundation that is supporting the house because you are reducing the taxable area constantly every single year. And probably what this Tax Study Committee could devote a little time to is going over all the exemption acts with the idea of finding out whether they are entitled to it. We have an awful lot of exemptions today that probably after study some of them might be eliminated.

CHAIRMAN DUMONT: Are you satisfied with the law the way it is today? I mean, you started to make a statement there and I wasn't quite sure whether you thought these bills were bringing chaos out of order or order out of chaos.

MR. HUNT: Well I think the way the laws are today, if the assessor enforces it it will give you equalization. None of us like to go to 100%, from a practical standpoint. But whether you make it 10% or 50% it's the same thing as 100 anyhow in the final result if you do not start putting in these exemptions. I mean, the fact that these bills read 40% or 30% or 50%, the net result to the taxpayer is going to be the same as if it were 100%. There is no difference in the final result.

CHAIRMAN DUMONT: Which of the approaches that we have before us here, which as you know involve also A-350 which is principally the Hudson County bill, or the countywide ratio or the statewide ratio, - which of those three approaches do you prefer?

MR. HUNT: I prefer statewide ratio because our boundary lines today don't mean anything. With our transportation and the way people move today, they are only imaginary lines. I would prefer statewide.

CHAIRMAN DUMONT: But you think in the final analysis that it might be better to leave the law as it is today and start enforcing it?

MR. HUNT: Yes, that could be done and achieve the same results rather than this legislation.

CHAIRMAN DUMONT: Do you feel that would be better than any of the legislation that's pending?

MR. HUNT: Yes, I do, with the way you have your exemptions.

CHAIRMAN DUMONT: I mean, suppose you didn't have

the exemptions. You are referring now to the exemptions from the inventory tax, Tom?

MR. HUNT: Yes.

CHAIRMAN DUMONT: -- or any exemption?

MR. HUNT: And the ratio, the 12½%.

CHAIRMAN DUMONT: I see.

MR. HUNT: In other words, if you use the same ratio to all forms of property that are taxable it will give you the same end result as 100%, even though in your bill you may say 50 or 40; it doesn't make any difference, the ratio, as long as all property is assessed on the same standard.

CHAIRMAN DUMONT: Well, let's assume that the ratioswere the same, for real property, business machinery, and business inventories, would you then think that legislation doing that would be better than the present law or would you prefer to have the present law remain?

MR. HUNT: I would prefer to have it at a fixed ratio.

CHAIRMAN DUMONT: Not 100%. Is that correct?

MR. HUNT: It wouldn't make any difference, whether it's 50 or 40 or 100.

CHAIRMAN DUMONT: Then even if we were to have all of these various types of property at the same ratio in legislation, you would still feel that you would just as soon have the law remain the way it is. Is that correct?

MR. HUNT: I would accept either one of them because of the same thing that I said about S-9 and 198, the end result is the same.

CHAIRMAN DUMONT: So that you wouldn't have any preference there, whether we left the law the way it is or reduced the percentage?

MR. HUNT: No, whether it's 50 or 40 or 100 the same tax dollars would balance out for the taxpayer.

CHAIRMAN DUMONT: As a matter of fact, personally I agree with you about this fixing of the stamps on the deeds first. I don't know how we are going to get any order in trying to sample properties when you can't tell, regardless of the right of privacy, what the cost is when the deeds are recorded.

MR. HUNT: Well, actually, I don't agree, from my experience, with a lot of it in that fashion. We have capitalization of income today which the courts have accepted and emphasized. I don't think that any property today that has a value of over $50,000 sells on capitalization, it sells on financing and if you have been closing titles, or anything, in recent years capitalization doesn't enter into it, it's how much can I get back on the equity that I have got to put in. If I can buy a property with 5% down and 95% mortgage I'll pay more for it than for another property similar to it where I have to put down 30% and 70% mortgage. And the rates of the amortization -- they are the points that determine what price a property sells for today and that's one of the reasons I don't believe the statistics we are working with today reflect a fair selling price. However, I don't want you to think I am opposed to it because I don't know of any better

method. And if I can't come up with something that I believe is more constructive, I won't oppose it.

CHAIRMAN DUMONT: Now, Tom, you mentioned about this filing, I think it is, every three years in a revalued municipality. I take it that if that were going to be a requirement you would want it to extend to all municipalities, not just those which had completed revaluation.

MR. HUNT: Yes, I believe that -- well, I think today it is ridiculous to file every year. If you walk into a county board office - and I'll even go further, you can take our 1960 duplicates which are in and if you were to go into the 21 counties I wouldn't hesitate to bet you that if you took the 1955 book and compared it with the 1960 that there isn't 10% of changes in it, unless they had a revaluation.

CHAIRMAN DUMONT: Would you prefer to have the requirement every five years rather than every three years, or do you think three years is about right.

MR. HUNT: Five years - you run in cycles and it takes you actually five years before you can enforce the inflation that we have been having.

CHAIRMAN DUMONT: So you would prefer five years?

MR. HUNT: Yes. I think if we reassess every five years that we would probably have more stabilized assessments. In other words, if you buy a house today for $14,000 and inflation went up 1%, you know and I know that we are not going to sell that house for $14,140 or nobody is going to revaluate it. It takes a period of four or five years before inflation starts to reflect itself in direct units of thousands or

hundreds of dollars of valuation.

CHAIRMAN DUMONT: And, of course, whatever the requirement is you want it applicable to all municipalities, not just those that have revalued. Is that correct?

MR. HUNT: That's right.

CHAIRMAN DUMONT: Any other questions?

ASSEMBLYMAN FARRINGTON: If you will, sir, let me know whether this is a fairly correct general restatement of your objections to the so-called exemptions, and that is that these exemptions in your taxing district will result in a great shift of the burden of taxation.

MR. HUNT: That's correct.

ASSEMBLYMAN FARRINGTON: Well, would you concede that the same exemptions in other taxing districts could very well avoid the great shift?

MR. HUNT: I don't know. I wouldn't answer on what I don't know.

SENATOR FOX: Tom, am I correct in this assumption as to what you said, I mean, leaving aside the question of exemptions in this, we allow the law to remain as it is in line with the decision of the Supreme Court at 100%, it would make no difference so long as the assessors efficiently perform their duties?

MR. HUNT: That's right. That's correct.

SENATOR FOX: So that in effect, if all assessors perform their duties efficiently and to the best of their ability there is no necessity whatsoever for any modification of the law.

MR. HUNT: Not unless you want to give benefits to one type of property or --

SENATOR FOX: A particular group. Is that right?

MR. HUNT: Yes.

CHAIRMAN DUMONT: Any other questions of Mr. Hunt?

A. E. WEILER: Mr. Chairman --

CHAIRMAN DUMONT: Will you identify yourself, please.

MR. WEILER: A. E. Weiler of Maplewood.

CHAIRMAN DUMONT: All right, Mr. Weiler.

MR. WEILER: Mr. Hunt referred to 10% or 15% as a coefficient of dispersion, and Mr. Matthews spoke along the same lines. I am rather interested. I believe they have confused something here because the coefficient of dispersion is the average deviation of assessments divided by the average assessment ratio. And I am just wondering whether they didn't mean a range above a mean average instead of a coefficient of dispersions.

ASSEMBLYMAN MATTHEWS: I think we are referring to the width of the band of dispersion. I think we are using the words coefficient of dispersion --

MR. HUNT: I've got a professor here now and I will have to agree with him. He is one of our professors, you know, Mr. Weiler.

CHAIRMAN DUMONT: He has had a fair amount of experience in assessing too, hasn't he, Mr. Hunt?

MR. HUNT: Yes, he has. That's why I get a kick out of everybody talking about Rutgers and Mr. Weiler was the first instructor I had at Stevens Institute.

ASSEMBLYMAN MATTHEWS: I think you are right. I think that's what we are referring to. He's correct. And I bow to your superior knowledge on coefficient of dispersion, I'll tell you that.

MR. WEILER: Thank you.

CHAIRMAN DUMONT: Thank you very much, Mr. Weiler, for straightening us all out on that.

Any other questions?

MR. MORRISSEY: I am Donald Morrissey, Assessor, City of Trenton.

Mr. Hunt, do I understand you to mean that you would eliminate the local assessors --

MR. HUNT: Yes.

MR. MORRISSEY: And just establish the county assessors?

MR. HUNT: Yes.

MR. MORRISSEY: Or would .the county assessors just act in a supervisory capacity over the local assessors?

MR. HUNT: No, sir.

MR. MORRISSEY: You would eliminate them entirely?

MR. HUNT: I would eliminate the local assessor entirely. In my bill I might like to see incorporated that there be a qualifying examination for the present people that may be in the assessment room but I wouldn't advocate a blanket enrollment of them.

MR. MORRISSEY: Would that increase the manpower in the county?

MR. HUNT: I don't know whether it would increase the manpower but it certainly would increase the efficiency.

MR. MORRISSEY: Isn't that getting away from home rule and getting more to a concentrated form of government?

MR. HUNT: Well, we are getting away from home rule. You have regional high schools today and you have the counties and state taking over services and various items of local government today. We can't stay with our heads in the ground, and I'm an oldtimer. I started in 1920 and I know all the ingredients of politics and everything else. But if you want good assessors, which you have to have if you are going to be fair to your people, you have to have the same type of reasoning in arriving at your value. It's not only the question of ratio. For example, if you have one rule in Trenton - and I can guarantee you it is probably different from the one in Newark and it is probably different from the other towns in your county - then you have various degrees of opinions of value, and today opinion of value covers probably 98% of all assessments made. So that in my opinion, when you have a county assessor he establishes your method of arriving at value and you have qualified men, you don't have men handed to you by the Council or by the Mayor, who may have been shoemakers. If you read the list that Local Property put out recently, you know the various occupations of today's assessors.

Now, I'm not criticizing you as an individual but I have to admit, from my experience and what I find, that the assessment roll can be improved.

MR. MORRISSEY: Well, if we retained the local assessors, limiting their power to the securing of property

within the community, but the assessment being placed on it by the county, the board of supervisors - we'll call them that for the sake of discussion --

MR. HUNT: Oh, no, no. We had a meeting of our Executive Board the other night and we had a complaint -- and he talked about his ratables amounting to $4\frac{1}{2}$ million. Well do you know in the City of Newark I have one building that I assign to a man and when I assign it to him that's all he has to do and he runs over $10 million. It depends upon the line items as well as upon the type of property you have in your district. You've got to have county assessors, whether it comes this year or ten years from now. The people are going to demand it eventually. We have got to be modernized in our government.

MR. MORRISSEY: Mr. Hunt, another question. Do you mean to state that the Boards of Assessors, say in our cities, are inefficient.

MR. HUNT: I wouldn't say that altogether they are inefficient but I would say that probably they have a greater interest in some other business that they are connected with and, therefore, do not give the time. And they are not compensated sufficiently to give the time. The average salary in the State of New Jersey for an assessor is ridiculous. In my opinion if we had county assessors the salary should run up to possibly $10,000, but you would work all day. We have salaries in the State of New Jersey, from various reports that we get, that run as low as $300 or $400 a year. You can't tell me - I don't care what his qualifications

are - that he's devoting too much time to that work.

MR. MORRISSEY: Now, Mr. Hunt --

CHAIRMAN DUMONT: Mr. Morrissey, I don't want to interrupt you but this is an argument which has been going on for many years in New Jersey and we are not going to resolve it here this morning, in regard to whether there ought to be county assessing or local assessing.

MR. MORRISSEY: Senator, if the assessing system or the assessors are so bad, and you advocate the shift to the county level of one-fourth of services of government, would you urge the shift of all government to the county level, Mr. Hunt?

MR. HUNT: I believe that's going to happen only it's going to take a period of years going over piecemeal. There are too many towns in the State of New Jersey; there are too many governments.

MR. MORRISSEY: That's all I want to know.

CHAIRMAN DUMONT: We'll save that question for another time. We are working on assessments today.

Are there any other questions of Mr. Hunt?

Tom, I want to thank you again for your usual capable and honest and forthright presentation.

MR. HUNT: Thank you for giving me this opportunity to appear before you, and it will probably be my last.

CHAIRMAN DUMONT: Well we hope it won't be. We'll see you again.

ASSEMBLYMAN MATTHEWS: I would like to say one thing, directed to Mr. Weiler. We were talking about the coefficient of dispersion. I have in my dispatch case the

latest issue of the New Jersey Municipalities magazine, February, 1960, which is a transcript of sorts of Bill Miller's talk down at the State League Convention and he says that, "In national surveys it has been found that the coefficient of dispersion - which is what our 15% really is - has been less than that figure in only 12% of all taxing districts." And I relied on that in using that term, but what it really is, it's a band of variations, 15%. Is that right?

MR. WEILER: Yes.

ASSEMBLYMAN MATTHEWS: Thank you.

CHAIRMAN DUMONT: Mr. William J. Gaffney, New Jersey Petroleum Industries Committee.

WILLIAM J. GAFFNEY: Mr. Chairman and distinguished members of the Legislature, both Senate and Assembly, I have to ask you to excuse the hoarseness of my voice. I got this flu bug about two weeks ago and I can't seem to shake it off.

My name is William J. Gaffney and I am the Executive Secretary of the New Jersey Petroleum Industries Committee. Although our organization has not taken a position for or against any of the proposals under consideration by the Committee, there are two matters of detail which we would like to bring to your attention.

The first has to do with the per diem penalty provided by section 11 of Senate No. 9 and Assembly No. 198 for failure to file a return of personal property used in business. This section imposes a penalty of $2 per day for failure to file such a return, even though this might be the result of an honest mistake by the owner of the property.

We feel that the application of this type of penalty under certain circumstances may have a particularly harsh result.

To illustrate this with facts from actual cases: Suppose an oil company installs two of its gasoline dispensing pumps at a service station owned and operated by an independent businessman. The oil company reports the two pumps to a taxing jurisdiction, which it has reason to believe is where the pumps are located. This information is confirmed by the Mayor of that municipality. For a period of years the company continues to report and pay taxes on the pumps to that municipality. Later it is revealed that the dividing line between that jurisdiction and another taxing jurisdiction goes through the center of the service station property and in reality one pump is in one jurisdiction and one is in another jurisdiction.

In this situation the company owning the pumps, having failed to report one pump to one jurisdiction, and owning no other property in that municipality, would be subject to the $2 per day penalty for the period it had failed to report the pump. Assuming the pump has a taxable value of $150 and the tax rate in this jurisdiction is $23 per $1,000 of valuation (the actual rate in Haddonfield based

on 100% value), the annual tax due on the pump would be $3.45.

In these circumstances, however, the failure to report the pump to the second jurisdiction for only one year would cost the owner $730 in penalties due to per diem penalty alone. This would amount to a penalty of 21,159% of the amount of tax due on the pump. Since the penalty provided in the same section for a false or fraudulent return is 25% plus interest at the rate of 1% per month beginning three months after the last date for filing returns, it is evident that the $2 per day penalty would result in an unfair and exorbitant penalty, out of all proportion to the offense. Here, certainly, is a case where THE PUNISHMENT DOES NOT FIT THE CRIME.

In place of the per diem penalty, we would not object to a provision denying to the taxpayer who fails to make a return, the right to appeal the valuation placed on his property by the assessor.

The second recommendation we would like to make is that a provision be inserted in whatever bill will finally be considered, directing assessors to notify taxpayers in writing of any change in assessment - either increase or

decrease - by December first. This type of notice would give the taxpayer time to consult informally with the assessor before the assessment roll becomes final on January 10.

We feel that the present 10-day period for public inspection of the assessment roll provided by Section 54:4-38 of the Revised Statutes does not give taxpayers having property in numerous jurisdictions sufficient time to apprise assessors of mistakes in the roll. It has been our experience in other states where this type of written notice is required - as is generally the case in the Northeast - that it helps both the taxpayer and the assessor. Many times a taxpayer must appeal an assessment where, if he had had sufficient notice of the assessment contemplated by the assessor, he might have been able to supply information to the assessor enabling him to correct the assessment.

Gentlemen, I wish to thank you for the opportunity and privilege of appearing before you today.

CHAIRMAN DUMONT: Any questions of Mr. Gaffney?

Bill, is this a good time for me to read into the record this statement from Socony Mobil Oil Company, in regard to some of the bills pending before us?

MR. GAFFNEY: I would suggest, if they have submitted a statement, that it be made a part of the record. I don't think it is necessary to read it at this time.

CHAIRMAN DUMONT: They just ask that it be made a part of the record. All right, we will do that then

which shall be the market value of such real property as of the base year of 1960, with a ten-year periodical revision by the Legislature of the base year for values, and the assessment shall be expressed in terms of taxable value of such property, which taxable value shall be that percentage of market value as shall be established by each County Board of Taxation as the level of taxable value to be applied uniformly throughout the county. For purposes of this act "market value" is the end result of the accepted approaches to value, namely, Cost Approach, Income Approach, and Market Data Approach, or any one or such parts which may be applicable to the subject property.

Our comments - we say again "market value" is inserted in place of "true value" because of the lack of any proper definition of "true value" and the continuous interpretation by the courts that it is "market value" in its true meaning.

Commenting on "base year," the establishment of a base year for values is the only uniform and equitable method to be undertaken to maintain the constitutional requirement of "same standard of value." The use of a base year is simply extending present practice of municipalities who have completed revaluation programs and value all new construction or value changes back to the level of values as initially adopted for their revaluation. Present statutes and all proposed bills assume that each taxing district has the capability of revising assessments annually. This is an insurmountable and impossible task which in turn would solve none of the tax assessment problems presently encountered in New Jersey. Under the recommendation of the use of a "base year" all new construction during the interim period would be valued as of the base year of 1960

and thereby receive the same uniform and equitable treatment of taxation as all other properties originally valued as of a base year.

An illustration of the projection of this principle is further illustrated in Example I and its accompanying Chart I, wherein a property having a value of $200,000 and a selective ratio of 50 per cent retains its original value level and assessment of $100,000 without considering the rise and fall of costs and value, unless unusual depreciation influences are encountered in addition to normal physical deterioration.

Example I is for illustration purposes only. Nobody is forecasting here what might happen in the future so it has no regard. I could have used the same study from 1950 to 1960 and superimposed it. I don't think it would have that much import. It is just an illustration of the principle I am trying to put across here, showing the base year for value remaining constant, although the current market value can fluctuate; the common level of the assessment would remain consistent for this period of time, although the individual years might vary as compared to the assessment. Those ratios could vary without altering the assessment itself.

Paragraph 2 - we again say no change.

Paragraph 3 - we did make a revision. I think this is important. Each County Board of Taxation shall establish the percentage of taxable value on or before May 15th, as of the base year for values, and the level so established shall be applied uniformly in such county for the purpose of assessing the taxable values to be used in levying taxes for the calendar year next

succeeding the year in which such level was established. The level shall remain in force for 10 years. The balance of the paragraph as in the bills would remain the same.

In our comments - we believe the dates between September 1 and September 15 are not early enough in the year to administratively review or revise values into assessments. The May 15 date has been selected because the County Boards of Taxation know at this time what the total ratables in the respective taxing districts are after the certification of the tax duplicates on May 1.

We left in our additions to paragraph 3A, although we have been since informed that this will be introduced in the Assembly under a separate bill, along these lines. We suggest that Senate 2 be incorporated as an amendment to this bill, or that thinking, with the suggestion that it be revised to read 10 per cent of the ratio as established by the County Boards of Taxation instead of the 15 per cent range. To comment briefly on that, we prefer allowing, again with Tom's previous discussion on this 15 per cent range - we are in agreement that this latitude should be there. We favor 15 per cent, but we thought that the 10 per cent was more realistic. That is the only reason for that difference from the 15 to the 10 per cent.

Paragraph 4, no change.

Paragraph 5 - we are opposed to the use of net book values, as indicated by the books and records of the person assessed as the basis of value for machinery or equipment. The use of net book values implies varying depreciation options inimical to sound assessment practices because they violate uniform assessment requirements. Net book values in themselves completely defeat

uniformity in assessment procedures. A review of Example II and Chart II will better illustrate this reasoning.

I think you will find that on page 7. Under this thinking, if we assume a property to have a $100,000 investment, it might have a normal depreciable life of 10 years under this thinking, but its actual normal life could be 15 years. We just selected some of the various methods that are available to the plants as far as income tax purposes are concerned. You see - this is pertaining to values - the straight line method as compared to a defense method or a net book with a double declining balance or a sum of digits method. There are numerous other depreciation methods available for depreciation. We just selected four to show how these in themselves will vary in value, even for the same equipment, depending on the favorable willingness of the government to allow them a selection of any of these options.

The ideal method to be used, as we mentioned previously, is the one incorporating original cost with price adjustments and uniform depreciation schedules to the personal property. This method is described as Alternate I in Example III. However, it is the opinion that this method is not administratively possible at this time in New Jersey, and we are abandoning our previous recommendation on this suggestion.

We are of the opinion, however, that a system incorporating original cost less a uniform depreciation schedule to be the most uniform method to be achieved. This is illustrated as Alternate II in Example III. And that is using the same value of $100,000 and depreciating it over the ten-year period at a rate of 10 per cent for the first 5 years and 5 per cent for the balance, and then plan

whatever the ratio might ultimately be.

Another solution to this problem, and the simplest to accomplish and still give the over-all effect as Alternate II, would be the use of a 50 per cent depreciation factor to original cost and this value would remain constant for the 10-year period - take 50 per cent right off the bat off their original cost, regardless of year of acquisition. It would have the effect of new industry benefiting for the first 5 years and picking up the balance during the second 5-year period. This solution is easy to administer and is the one that is the simplest to understand. This would mean that all machinery and equipment would be valued at one-half of its original value and it assumes that this amount of depreciation is the average that would be existant in any plant because of the continuous retirement and replacing of older equipment with new equipment.

These last two suggestions that we are recommending are the ones that are in use in most other places where they have gone ahead with tax revisions or have had these in practice for a number of years. Industry understands it and the assessor understands it, and it is a uniform, easily administered method.

Paragraphs 6 and 7 - no change.

Under paragraph 8, line 17, item 1, on all machinery, implements, and equipment and all other personal property other than inventories, farm machinery and farm livestock, the value shall be original cost to the owner less the recommended depreciation alternate, previously suggested, and shall be at the same level of taxable value as is established for the taxable value of real property.

Under line 21, same paragraph, item 2, we recommend the

retention of raw materials and work in process as well as finished products as part of the total inventory. We are of the opinion that the larger communities would have a shift in the burden of taxation from industry to real property and mercantile establishments if this type of inventory were excluded from the tax base.

Now in studying this tax problem, we have also availed ourselves of the advice of tax representatives of industry, not only in New Jersey, but who represent industry throughout the country. If I might just in passing comment on some of these - these are approximate - they are very close to what the percentages are. Under six other cities in the country where the thinking is almost the reverse of what we are discussing here today. - I will start with the City of Detroit - they use for machinery and equipment original cost and assess it at 50 per cent of its cost. They use in addition to that the depreciation schedule as previously discussed and illustrated here. Inventory they assess at 80 per cent of cost - 80 per cent. Real property is at 55.

Kansas City, they use 33 1/3 per cent of machinery and equipment on its cost for the assessment. Inventories, at 50 per cent of cost. That is the assessment. In real property, it ranges between 25 and 30 per cent.

Now these same relative, proportionate ratios between machinery and equipment on cost and inventory as compared to real property holds the same fairly close for Dallas, Denver, San Francisco, and Los Angeles. I just mention that in passing to show that we did try and understand this problem beyond just our limited scope and I think this is some of the thinking that Tom tried to project

before why inventory should be assessed so much lower at the present time without knowing what the effect would be.

Paragraph 9 - we still favor eliminating this paragraph, Mr. Assemblyman, if this kind of thinking is followed.

Paragraph 10 - no change.

We did revise paragraph 11, the penalty clause. We are in agreement with your statements that we are too severe in our recommendation.

We would prefer to have the penalty clause revised to read that if the taxpayer fails or neglects to file a return within the time required by this chapter, he shall be excluded from any appeal proceedings, unless the petitioner files with the assessor a complete balance sheet of his assets together with the appeal.

We think that must be in there.

Paragraphs 12 and 13 - we favor the abolition of household personalty as has been continuously recommended by the reports of the Commission on State Tax Policy. Those are our recommendations on household. However, if the option methods suggested are to be retained in this bill, then we believe that the local district should have the right of establishing the rules and proceedings and enforcing of this option, as long as the local district would be the only one concerned with this form of taxation and as long as it would go under similar collection as a license fee.

Paragraph 14 - whenever a taxing district shall complete a revaluation program as of the base year of 1960, according to standards and procedures prescribed by rule or regulation of the Division of Taxation and shall cause all real property within the

district to be assessed at the taxable value thereof in accordance with such revaluation program; the taxable valuations so made shall remain in effect for a period of 10 years, subject, however, to such individual adjustments as may be required to reflect the results of any administration or judicial review, or to make added or omitted assessments, or for the making or removal of improvements and such other adjustments as may be provided by rule or regulation of the Division of Taxation.

The balance of the paragraph - we have no change.

All dates not consistent with the proposed recommendations be revised according to the tax year of 1963. All true value concepts retained in this bill be amended to read "market value."

This act shall take effect as of October 1, 1962, for the tax year of 1963.

We believe this future date is a "must" because it will be administratively impossible to go to any uniform ratio whether it be on a state-wide basis or county basis or whether it is 100 per cent unless the taxing districts and the county courts have this time to make the change-over.

Our conclusions - you will note that we have made no recommendations on inventories as to what ratio shall be applied to this class of property because we are of the opinion that in the interim period before the effective date of compliance, the personal property forms, as prescribed by the Director of the Division of Taxation, be filed with the respective taxing districts. The assessor will then forward same to the Director of the Division of Taxation, who will then cause a comprehensive study and analysis to be made of these returns in order to ascertain at what levels

business personalty shall be fixed if it is necessary to give them a separate level from real property or machinery and equipment. Right now I don't think anybody is in a position to state. We don't feel there is enough information available at this time to establish any varying level from the ratio of real property until such study is accomplished. The result of this study would enable the Director to be in a firm position to advise the Legislature of the possible levels to be selected for this class of property. At the present time there is not sufficient information available to state that inventories shall be at one quarter of the level established for the taxable value of real property.

The State Association is in favor of all property being assessed on the same level because otherwise there could be a shift in the burden of taxation. Now this could be true at the present time unless the study as recommended on personal property be undertaken and completed by the Director of the Division.

Now, this thinking and the remarks as presented on Senate 9 and Assembly 198 could have been projected into almost any of the proposed bills dealing with administration here. And we are only amending this bill to reflect the administrative feasibility of the assessment function. We make no preference of state ratio over county ratio as long as the recommendations would be considered in those various bills. Our primary concern is continuously equity and uniformity of assessments.

We commented, as I stated on the 17th of February last year, on Senate Bill 81. We confined most of our comments to Assembly 198. It would seem to be more or less the concensus of opinion that this

bill on a county ratio would be the one that would have the most acceptability throughout the state.

Those are the comments, gentlemen, and I think together with the illustrations and the charts, some of the thinking we tried to project on the 17th might be clarified through these illustrations.

(The charts and examples to which Mr. Greene referred can be found in the back of this transcript.)

CHAIRMAN DUMONT: Questions of Mr. Greene. Assemblyman Matthews.

ASSEMBLYMAN MATTHEWS: I notice you roll the effective date of this back to October 1, 1962, is it?

MR. GREENE: Yes, sir, for the tax year of 1963.

ASSEMBLYMAN MATTHEWS: But you would want these returns filed beforehand. We would have to pick that out of the bill and put that in effect first. Is that right?

MR. GREENE: That is correct. That would be our recommendation, Mr. Assemblyman.

ASSEMBLYMAN MATTHEWS: We did have a lot of difficulty you know last year trying to get returns like that before we implemented any legislation. We were dealing with S 81 at that time.

MR. GREENE: I think last year - I might be mistaken on this count - I think last year it was under a voluntary basis, wasn't it?

ASSEMBLYMAN MATTHEWS: No. We tried to get the feeling of what effect there would be if such legislation were introduced and I think it opened a Pandora's box of criticism and comments and the bill never did get off the ground.

MR. GREENE: That might be. But none of us on the Tax Study Committee or even the Executive Committee of the State

Association can understand how at the present time with the limited sources available, how we know where we are going as far as any ratios that might be selected on inventory as opposed to machinery and equipment or real property.

ASSEMBLYMAN MATTHEWS: Practically, the problem presented to us was this: People are afraid that if they file these returns, say, before June 30th of this year for the next year, the local municipality will tax at its current ratio based on the valuation submitted in that return.

MR. GREENE: Well, that thinking could be revised and have the form sent out by the taxing districts and have the taxpayers themselves on the return envelope mail them direct to the Division of Taxation. But the assessor at present does mail these forms out and they are required to be returned under present law, although that percentage of return varies tremendously throughout the state. That is the reason we have this problem and that is another reason, together with ourselves, Tom Hunt isn't alone in his comments to be able to say exactly what would happen or what the ratio would be in Newark because of the lack of available information to levy these assessments properly and equitably.

That is a problem we are confronted with. You are confronted with the same thing, I think more so, in trying to solve the problem. We certainly must have the facts before we can solve it and I don't think - or it's the opinion of the Committee that the facts are not available at the present time.

CHAIRMAN DUMONT: Any other questions of Mr. Greene? Senator Haines.

SENATOR HAINES: Mr. Greene, you passed over paragraph 17 and

appeared to be satisfied with it. Is it the general opinion of the assessors that they need these so-called professional evaluators to help them in a re-evaluation program periodically?

MR. GREENE: I would say with the present staffs available in the assessors' offices, I would have to answer "yes" to that question, Senator.

SENATOR HAINES: You would rather have the outside professional help brought in than have it engaged under the supervision of the local assessor?

MR. GREENE: I think at present if a revaluation program is being conducted by a private concern, that it should be entirely revalued by that concern without any influence from the office - the only place where the assessor could come in is setting up the specification requirements that these concerns must follow and adhere to. I think that is an important thing at the present time for the assessors' offices - I can almost say entirely in all taxing districts - to undertake the programs themselves without adequate help, and most of them do not have sufficient help to properly administer the offices at the present time without this added, tremendous duty of bringing outside help and training them or enlarging their own staff and then going into a training program to encounter it.--I think the expense to the municipality would be greater and the end results would not be as fairly reflecting the full values of the properties.

SENATOR HAINES: Would you subscribe that the revaluation programs should be according to a manual such as was prepared by the state department, the assessor's manual, rather than have other standards of value for measuring the value used?

MR. GREENE: Well, the manuals themselves are cost manuals and they are all guides to value, aiding in arriving at value. Now, regardless of whether it is the state manual or let's say some concern coming in and setting up their own cost schedules based on local material costs and labor rates in that respective taxing district, I don't think it would - they should not vary too much if they are checked against cost of construction to prove their value. I think regardless of whether it is a state manual or a private manual, they should both be checked against costs. The state manual itself is trended through construction cost indices as to location to the various municipalities in the state. That is supposed to accomplish the same thing I am referring to here. I don't think if these manuals are set up as of a base year, then the costs themselves should not vary to any degree.

SENATOR HAINES: You have no complaint then against the way this revaluation professionally is being done throughout the state?

MR. GREENE: I did not say that, Senator. No, I think there is a lot that has to be done in that particular field to give the municipality exactly what it anticipates when it enters into these programs. As a matter of fact, the State Association has a committee studying this particular problem because we have found the results not to be in too many instances what the contracts called for and that too often you do not have qualified personnel from the concerns doing these jobs. But that study is being undertaken by our own Association to see what recommendations we can come up with on that.

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

Mr. Greene, this base year recommendation of yours, is that designed to be somewhat of a substitute for the idea of re-assessing every three or five years?

MR. GREENE: Yes, sir. Let's say that we took advantage of some of the thinking of other states that have put this into practice for many years. The ten-year period that was selected here could very well be eight years. We think that five years - and this is an agreement again with Mr. Hunt's previous statement - that it takes five years to really study the trends and the changes in real property. We think that as far as going through an entire program or revising the values that it could be proper anywhere between eight and ten years.

CHAIRMAN DUMONT: Then you prefer the ten-year idea to five years?

MR. GREENE: Yes, sir.

CHAIRMAN DUMONT: And also a base year rather than not having a base year?

MR. GREENE: Yes, sir, because without the base year, it presumes that each assessing department is going to be able in actuality to revalue the properties each and every year. It's an impossibility.

CHAIRMAN DUMONT: And you would also, of course, not limit this to communities that have revalued. This would be the same for all municipalities in the state.

MR. GREENE: Yes, sir.

CHAIRMAN DUMONT: Now, do you feel very strongly about this 10 per cent as distinguished from the 15 per cent now in Senate 2? I mean is that something you are adamant about or would

you be satisfied with leaving the 15 per cent as is?

MR. GREENE: We would be most happy with the 15. It gives us more latitude and we think it is more easily accomplished within the scope of the assessing duties today. The only reason we went to the 10 per cent - we are trying to follow through the thinking as much as possible of pinning it down to the thinking of the appraisal field.

CHAIRMAN DUMONT: But you would be perfectly satisfied to have the 15 per cent retained?

MR. GREENE: Yes, sir.

CHAIRMAN DUMONT: You have the feeling too, I take it, that there should be no exemptions from the business inventory tax as long as we are going to retain that as a tax.

MR. GREENE: That's right, not unless the facts themselves develop that there should be varying levels. Right now we are of the opinion that it should be as under the present law, the same standard value on all property.

CHAIRMAN DUMONT: In other words, you agree with Mr. Hunt's contention that there shouldn't be any distinction by way of percentages between real property and various types of personal property. Is that correct?

MR. GREENE: Not at the present time, Senator. We also qualify that with the recommendation that the forms be required to be filed with the Director so that he can undertake a study to find out what any impact or shift in the burden of taxation through this, itself, might even be.

CHAIRMAN DUMONT: So you would think the same percentage ought to be applied throughout even though you would use different

standards of value for real property as distinguished from personal property? What I mean by "standard," I am talking about market value for real property and what you recommend here for personal property. But aside from those different standards, you prefer the same percentage being applied to all kinds of property, is that right?

MR. GREENE: Yes, sir.

CHAIRMAN DUMONT: Do you have any preference, therefore, as long as the percentage is the same - do you prefer the enactment of legislation now pending over the present law or don't you have any feeling as to whether the present law ought to be changed? In other words, Mr. Hunt said he didn't care whether the present law be retained - as I recall it - or one of the bills be adopted, as long as the same percentage applied throughout to all property. Do you have that same feeling or do you prefer that there be some legislation passed to eliminate the present 100 per cent requirement?

MR. GREENE: I think there should be legislation passed. The Committee is of that opinion. Right now even if we went to the 100 per cent standard as decided by the recent court decisions, even if we were able to do it, which is impossible, by 1961, it would not be the same value as of 1962. Now, I think in particular of some of the communities that did go to 100 per cent of value. Princeton Township not too long ago - I think two years ago - went to 100 per cent of value. They are now at 87 per cent of value. The same thing would hold true for Lakewood and the same thing will develop in Ridgefield Park.

CHAIRMAN DUMONT: Well, we just want to get your thinking. So that you think legislation ought to be passed now. I got the

impression from one of your statements that you have no preference in your Committee as to whether it be county-wide ratio or state-wide ratio.

MR. GREENE: That is the view of the Committee, as long as the thoughtsthat we tried to project here were followed as much as possible. To clarify it, Senator, with this thinking included in any of those bills, it wouldn't make any difference as far as net tax dollar would be concerned.

CHAIRMAN DUMONT: Your thinking really is directed toward the point that as a practical matter the county-wide ratio would seem to have the better chance of passage here at the present time.

MR. GREENE: Yes.

CHAIRMAN DUMONT: Then you recommend, of course, that there be this period of transition until really the tax year of 1963 before anything take effect?

MR. GREENE: Yes, sir.

CHAIRMAN DUMONT: Any other questions? Mr. Weiler.

MR. WEILER: There was a minority objection by two of the Executive Committee members of the State Association and one was Mr. Thomas Hunt and the other was myself. And I wanted to go on record that that objection took place.

The reason that I objected to it was that I am not particularly in favor of the county assessments or ratios, rather, and I had just received this document this morning so that I didn't get an opportunity to study the complete brochure.

CHAIRMAN DUMONT: Then, Mr. Weiler, your minority opinion, yours and Mr. Hunt's, is directed to the question of state-wide versus county-wide ratios, is that right?

MR. WEILER: Well, Mr. Hunt, as I remember, stated that he didn't go along with any of this report. But I read the first part of it - that is, the section of county-wide assessments - and I personally don't believe in that and I haven't read the rest of it, or studied it rather.

CHAIRMAN DUMONT: Well then, up to this point, in the time you have had to study it, your objection is to the county-wide ratio as distinguished from state-wide ratio.

MR. WEILER: That's right.

CHAIRMAN DUMONT: Mr. Greene, could you give us some idea - I think it is probably reflected here in the first page of your report - but now Mr. Weiler has mentioned that there was a minority opinion by apparently two assessors - can you tell us how many were in the majority?

MR. GREENE: Nine.

CHAIRMAN DUMONT: Nine?

MR. GREENE: Yes, sir.

CHAIRMAN DUMONT: And they are this group on page 1 of your report?

MR. GREENE: No. Well, of the voting members of the Executive Committee, there are only two on that Tax Study Group.

CHAIRMAN DUMONT: I see. But the nine that agreed are all municipal assessors in New Jersey and they are selected geographically from around the state, is that correct?

MR. GREENE: Well, the Executive Committee is composed - the voting members are composed of the present officers of the State Association plus all past Presidents of the State Association.

CHAIRMAN DUMONT: Are they just for the purpose of this

Committee - are they pretty well distributed geographically so we can say this represents a cross section of the state-wide opinion on this?

MR. GREENE: They are probably as well distributed as possible, I think. I think the secretary is here. He can give you the municipalities that are made up of the Executive Committee. Will you do that, Dan?

CHAIRMAN DUMONT: Will you identify yourself, please, and then read them to us.

DAN KIELEY: My name is Dan Kieley. I am Assessor of the City of Plainfield. Marriott Haines of Vineland; Al Weiler, Maplewood; Al Greene, Clifton; George Linger, South Plainfield; Bud Ferry, Atlantic City; Bart Berenato, Atlantic City; Mel Levenson, Linden; Russ Wilson, Englewood; Carlyle Stephen, Merchantville; and Tom Hunt, Newark.

CHAIRMAN DUMONT: That is eleven there, is that right?

MR. KIELEY: Right.

CHAIRMAN DUMONT: And nine of those - with the exception of Mr. Hunt and Mr. Weiler - approve of this report as submitted.

Any other questions of Mr. Greene? Will you identify yourself, please.

GEORGE LINGER: My name is George Linger, South Plainfield, Vice-President of the State Association, and I conducted the meeting this morning. I would like to make a correction. Tom Hunt said that he was against this particular bill because he was against anything that the Chamber of Commerce proposed. That was the comment that he made.

CHAIRMAN DUMONT: Thank you, sir.

MERLE ST. AMOUR: Senator, Merle St. Amour, Assessor of

Fairlawn, a member of the Real Estate Tax Study Committee. Our primary concern, in looking at at any of these bills was the administrative function, the process. We are not particularly concerned with legislative matters concerning policy and so forth. We are concerned primarily with the base year of real estate, the use of original costs in machinery and equipment, and including raw materials and goods in process in business inventory. We are also of the opinion that it should be on the same level with real estate.

Our primary concern in any of these bills is the administrative process because we are the people that are going to have to enforce this and we feel that this directly affects us.

CHAIRMAN DUMONT: That is why we are so interested in your opinion because it is the men in the field who are going to have to administer the program and we want something that is workable and that is why we want to get your recommendations.

Anything else now that anyone desires to ask Mr. Greene? Assemblyman Farrington.

ASSEMBLYMAN FARRINGTON: Mr. Greene, I wanted to ask a question about an aside statement that you made. What is the basis for the statement that Princeton Township is now assessing at 87 per cent?

MR. GREENE: Princeton Township?

ASSEMBLYMAN FARRINGTON: Yes.

MR. GREENE: The sales ratio study - I think it is somewhere around 87 per cent. The sales ratio study is conducted by the Director of the Division of Taxation through the Local Property Tax Bureau for state school aid purposes.

ASSEMBLYMAN FARRINGTON: One final question: The answer to the question was contained in your statement and then crossed out. I was going to ask you whether your recommendation that the effective date of this bill be changed would eliminate the Chamber's objection with respect to Section 37. I thought you attempted to answer that and then crossed it out. Do you want to answer that?

MR. GREENE: I think that from what we gathered at the last hearing that their main objection had to do with the effect of putting personal property in a particular prescribed level now before real property was revalued. To answer your question, if this thinking were projected, I don't know how their objections would any longer hold merit.

ASSEMBLYMAN FARRINGTON: I raised the question at the last hearing and he didn't seem to think that changing the effective date would remove his basic objection.

MR. GREENE: Oh, I see.

CHAIRMAN DUMONT: Any other questions of Mr. Greene? Assemblyman Matthews.

ASSEMBLYMAN MATTHEWS: Just for the record, Bill Kingsley is sitting in the back there with the table and Princeton is at 88 per cent.

MR. GREENE: I was a per cent off. I am sorry.

CHAIRMAN DUMONT: Well, that is still pretty close. Any other questions of Mr. Greene? (No response) Thanks very much, Mr. Greene. We appreciate your taking care of this in the meantime and coming back with this report today from the Assessors. Thank you very much. There are extra copies here of Mr. Greene's report if anybody would like to have one.

We will now hear from Mr. Raymond N. Sutphin, who is President of the New Jersey Association of Township Committeemen, and also a township committeeman of Florence Township in Burlington County.

RAYMOND N. SUTPHIN: Thank you, Mr. Chairman. I am Raymond Sutphin, President of the New Jersey Association of Township Committeemen, and a township committeeman of Florence Township in Burlington County.

Our Association wishes to thank you for the opportunity of giving this presentation.

The New Jersey Association of Township Committeemen expressed their belief in uniform assessments of real estate and the necessity for sales tax revenues to relieve property taxes in a statement before the Legislative Committee on June 30, 1958. While that statement concerned bills under consideration in the 1958 legislative session, the principles expressed therein are not changed.

However, the Association is of the opinion the same results could be obtained with uniform assessments at the county level. For this reason, it would be willing to support uniform assessments at the county level which may be different as among counties but uniform for all taxing districts within each county. Therefore, the Association would be willing to endorse a program designed to accomplish the same purposes outlined in its 1958 statement with the amendment that uniform assessments would apply within each county as contrasted with a single statewide ratio.

The Association further favors dropping the necessity for assessing farm machinery and farm livestock and crops. Such machinery and livestock are somewhat comparable to goods in process,

supplies and small tools of manufacturers for which exemption is provided in S 9 and A 198. The Association feels that in addition to providing some encouragement to farmers hard pressed to maintain themselves as farmers in the path of spreading developments and rising tax costs, such exemptions would simplify personal property tax administration. We propose the elimination of farm machinery, livestock and crops from farm personal property assessment. In most parts of the state this will have little or no effect on tax revenue and in the few farm municipalities where it may be a factor, the tax revenue will simply be shifted over to the same people to pay in the form of real estate tax.

Mr. Chairman, we have attached a copy of our statement presented in 1958 for your review if you wish to do so and we also would like to have it as a part of the record. That is the extent of our presentation.

CHAIRMAN DUMONT: Does anyone have any questions of Mr. Sutphin?

This copy of the statement you submitted last year - well, I guess it was two years ago almost. It was the day of the very first hearing that we conducted on this point, June 30, 1958. This contains a poll taken among your members, doesn't it, on various questions?

MR. SUTPHIN: That's right.

CHAIRMAN DUMONT: Have you had any opportunity to bring the poll up to date since that time?

MR. SUTPHIN: No, we haven't. Senator, at this present time we did not bring the poll up to date. But our Legislative Committee voted to reaffirm our stand on the statement given before

and to add this to it.

CHAIRMAN DUMONT: So that this poll as taken in 1958 has just received the recent approval then of your Legislative Committee, and its results?

MR. SUTPHIN: That is right.

CHAIRMAN DUMONT: Are there any other questions of Mr. Sutphin? Will you identify yourself?

JACK CONNOLLY: Jack Connolly of South Orange. Inasmuch as the tabacco industry wants to have an exemption of their inventories and all industry wants to have an exemption of raw goods and so on, and the farmers want to have all their machinery exempt, I as a home owner would like to have all dwellings exempt.

CHAIRMAN DUMONT: Well, I can't blame you for making that statement.

SENATOR FOX: That's a good platform, Jack.

ASSEMBLYMAN MATTHEWS: You can have my job.

SENATOR FOX: He'll get it on that statement.

CHAIRMAN DUMONT: That is the problem we get into with any new exemptions. It may be that we already have too many.

Anything else anyone desires to ask Mr. Sutphin? Thank you very much for being here last time and coming back today.

MR. SUTPHIN: Thank you.

CHAIRMAN DUMONT: We will now recess for lunch until approximately 2:20.

(Recess for Lunch.)

AFTERNOON SESSION

CHAIRMAN DUMONT: The hearing will be resumed.

I want to find out first whether there is any representative here from the National Automatic Merchandising Association? (No response.) They have written a letter in regard to testifying and I don't know whether there is any representative here today. Is there anybody representing that organization? (No response.)

All right. We will call first then Mr. Brown of the New Jersey Manufacturers Association.

H. RUSSELL BROWN: Gentlemen, in case I look healthy, I have been in another state and I find that New Jersey does not have a monopoly on tax problems.

My name is H. Russell Brown. I am Assistant Treasurer of John A. Roebling's Sons Division, Colorado Fuel and Iron Corporation. I am also the Chairman of the Committee on Taxation of the New Jersey Manufacturers Association in whose behalf the following statement is submitted.

Our Committee has availed itself of every opportunity in the past few years to appear before legislative committees for the purpose of presenting our views on the very complicated problems concerning the property tax. Suggestions and recommendations offered by our committee are matters of record and need not be repeated in detail. Neither is it our intention to review the history of the problem which brings us here again today. The road from Middletown to Ridgefield Park has been well traveled. The course beyond can be plotted with some precision. Few, if any, of those who appear here today will deny that unless this

course is altered, we will continue to court disaster.

We have studied the problem sufficiently long and hard to know that a simple solution agreeable to everyone cannot be devised. We are satisfied that the Legislature is reviewing all known aspects of this problem forthrightly and thoroughly. The time consumed to accomplish this has been necessary and desirable, and demonstrates full well that conclusions have not been reached haphazardly nor in haste.

If for no other reason than to erase uncertainty and confusion, a program should be adopted this year. We have reason to know that because of this uncertainty, plans for industrial location or expansion in New Jersey are being held in abeyance or postponed indefinitely while awaiting legislative action. We question seriously whether we can afford to delay longer without impairing job opportunities for a growing work force. In the very competitive quest for industry among the states, New Jersey offers many appealing factors. The confusion and uncertainty which surrounds the property tax cannot be counted among them. Because the tax system is weighted so heavily toward property, a delineation of boundaries, and a promise of some stability is needed in order that obligations and responsibilities can be calculated and measured. To achieve this we must start somewhere, and in the opinion of our committee, Assembly Bill 198 contains the most practical solution offered to date.

Although A 198 differs slightly from Senate Bill No. 1 in the area concerning the relationship of personal to real property, nevertheless, A 198 does take into consideration some of the difficulties involved in the assessment and taxation of personal

property. In our quest for equity, we are concerned more with the relationship between real and personal property than we are with the question of whether real estate shall be assessed uniformly throughout the State or according to variable ratios applied equally throughout a county. The latter is a matter to be resolved by practical politicians and perhaps ultimately by the courts.

Needless to say, Assembly Bill 198 does not contain the provisions which, in the opinion of our committee, would establish the most equitable basis for taxing personal property. In a brief presented in June 1958 we expressed to this committee our belief that a 4-4-1 ratio of personal to real property would cause a shift of the tax burden from real to personal property greater than that estimated by the Commission on State Tax Policy. We dwelled at some length on the difficulties inherent in assessing and taxing personal property on a basis related to real estate, and recommended, therefore, that the tax on inventories be eliminated entirely. A partial adjustment toward that end is contained in A 198. Also submitted for your consideration was the proposal that machinery and equipment be assessed at a ratio lower than that established for real estate. A suggestion to that effect was placed before the Legislature by the Governor in his annual message this year. Once again we invite your consideration of this matter.

The overriding consideration for adopting a program should be the consequences which will result if we fail to do so. A transition, however gradual, to assessment at full value of all personal property would not be in the best interests of the State. Although the program now under consideration in A 198 does not meet the objectives sought by our committee, we believe that it should be

adopted. The boundaries which are circumscribed should assist in heading off the full impact of the impending shift. The adjustment under A 198, however, will be more abrupt and the shift perhaps more pronounced than either would be under a prolonged and more gradual transition.

For that reason, the establishment of a firm basis for appeal by taxpayers alleging discrimination will be required. The provisions contained in Senate Bill No. 2 should meet this need, although the range of 30 per cent appears to be excessive.

Should A 198 become law, we can see no reason for considering at this time the amendment to the Constitution proposed in Senate Concurrent Resolution No. 8. Subsequently, if the court determines that variable assessments can be effected only by amending the Constitution, then a change compatible to the provisions of A 198 should be considered. The intent of Senate Concurrent Resolution No. 10 is to legalize the classification of property by locking into the Constitution inequitable practices of a century, and this we oppose.

Concerning the other measures under discussion, we feel that if adopted, S 11 merely will tend to interject a greater number of officials into the present confusion without effect; S 29 provides only a preliminary step toward a solution of the problem, and the weight of testimony against A 350 at previous hearings leaves little to commend it. Senate Bill No. 9 is identical to A 198, which we believe should be adopted.

CHAIRMAN DUMONT: Any questions of Mr. Brown?

Now you have here one sentence that I need a little clarification on personally in the second paragraph on page 2:

"Also submitted for your consideration was the proposal that machinery and equipment be assessed at a ratio lower than that established for real estate." Do you favor different ratios? In other words, are you for one approximately or do you agree with the recommendations made by some of the assessors this morning that there ought to be just one percentage for all property?

MR. BROWN: Well, I wasn't here unfortunately this morning.

CHAIRMAN DUMONT: Oh, that's right. Excuse me.

MR. BROWN: Actually, I am afraid that I am against some of the testimony that I have heard. I think there is going to be a substantial shift from real estate to personal property, but it is a very difficult thing to prove because the information, despite all the effort that has taken place by the Commission on State Tax Policy and others to assemble information is really, honestly, not available. At the time when we appeared here before - and I must admit I forget what those were - I think it was something that we proposed - 50-30-10. Al, what were those? I think we at that time were trying to be honest and say - we don't know what it is. And we must say to you again, we don't know and we can't prove that this shift will be so substantial as I am afraid it will be. I am naive enough to think that we must do something about this. And I think, in general, about one-third of the people are going to be benefited, one-third are going to be hurt, and about one-third of them are going to stay the same.

Now, those thirds that I am talking about that are

going to be hurt will be members of our Association and I am sure some of them because they are human beings and trying to make a profit are going to be angry at us for proposing that we would go into something that is going to cost people money. But there is going to be a shift and we are never going to have any tax changes here in New Jersey without someone being hurt.

CHAIRMAN DUMONT: Mr. Brown, I know you were here two weeks ago when the Chamber of Commerce first presented their detailed, comprehensive outline and asked for some amendments. As a matter of fact, the amendment pertained mostly to the personal property tax that they suggested. Is your organization in agreement with that proposal or do you feel it is unnecessary or what? Do you have any feelings about it?

MR. BROWN: Well, I would say that my company is a member of the State Chamber of Commerce and I am interested in them too. I would think that we must agree with the State Chamber of Commerce in their feeling that the shift is going to be towards personal property. I must say that when we appeared here before, we indicated that, and I still think so. As far as the extent is concerned, I do not think that there is enough information available because in the past personal property assessments in New Jersey have been matters of negotiation. In some communities we haven't had any at all. And I don't see how with human beings still administering it, there still isn't going to be some negotiation. And I am afraid that we are not going to get a bill that will be satisfactory to everyone and I am afraid there is going to have to be some inequities in the first few years.

I recall that we suggested to you in the past - and I don't

know how you go about doing it - of following the consequences of whatever bill is passed so that some of these inequities can be adjusted. And I would hope that the Legislature would find some way to do that promptly.

I will say this, if we ever get a shift from real estate to personal property, getting it back again from personal property to real estate is going to be really tough. So I think that is the dangerous part of making the change.

CHAIRMAN DUMONT: Do I understand then that you would support this amendment that they proposed or you feel that A 198 is satisfactory without any amendment?

MR. BROWN: Well, I think the amendment as I referred to here as this range is an example of the 30 per cent - I think should be in Senate Bill No. 2.

CHAIRMAN DUMONT: Let me put it another way: They said if the amendment that they proposed were not included in A 198, they would vigorously oppose the bill. Let's assume the amendment were not in, would your organization oppose the bill or would you still support it?

MR. BROWN: We will support it without the amendment. We would hope that they would have some adjustments in it, but we will support it without it.

CHAIRMAN DUMONT: That's the answer. All right.

Assemblyman Farrington asked me if you recall the specific amendment. I don't know if I could outline it to you even if you did not recall it, as a matter of fact.

MR. BROWN: I was here waiting to go away for a ten-day vacation.

CHAIRMAN DUMONT: Then, of course, it is in these volumes of the record of testimony.

MR. BROWN: I do not feel that I have the ability nor the time to tell you what that amendment said. So I think I had better say we will support A 198 without it.

CHAIRMAN DUMONT: All right. One more thing here: You have in regard to Senate Bill No. 2 a range of 30 per cent.

MR. BROWN: Well, we think that is excessive. It is actually 15 and 15.

CHAIRMAN DUMONT: You are talking about 15 each way.

MR. BROWN: 15 and 15. We think that is excessive and I understand that there was some suggestion this morning that it would be better with 10 and 10, and I would think that it should be closer. The range of 15 up and down I think is too wide.

CHAIRMAN DUMONT: Now, Assemblyman Matthews, I think, has some questions he wants to ask.

ASSEMBLYMAN MATTHEWS: No, I haven't.

CHAIRMAN DUMONT: Anybody else?

Are you, by the way, for a period of transition? For example, the assessors suggested this morning that A 198 not be made effective until October 1, 1962, which would make it effective actually for the tax year 1963.

MR. BROWN: I would say that with the many assessors that we have and the problems in the State, I think that if we can get a bill passed that would give us something that we can tie on to, probably a period of transition would be advisable. As far as to whether it ought to be '62 or '63, I don't know enough about it.

CHAIRMAN DUMONT: I take it from your statement, the thing

that you do not want is to be concerned with the impending situation of 100 per cent assessing of both real and personal property as a result of these court decisions and the present law.

MR. BROWN: That's right.

CHAIRMAN DUMONT: In other words, you want some legislation passed to avoid that situation coming to pass throughout New Jersey.

MR. BROWN: That is certainly right.

CHAIRMAN DUMONT: Any other questions?

JACK CONNOLLY: Yes. I am Jack Connolly, South Orange.

Mr. Brown, under the existing statute, both real and personal are to be assessed at the same uniform ratio, namely, 100 per cent. But in fact, under the Ninth Tax Policy Report real estate is in at about 28 per cent average throughout the state, while business is in about 12 or 12 1/2 per cent average. Is there any reason why business should continue to obtain that favorable position over real estate?

MR. BROWN: I don't know how loudly or how strongly I can say that in my opinion business has paid more than their share of taxes in the State of New Jersey. When we talk about this shift from personal property to real estate, I would like to remind you that business is also a big real estate as well as a personal property taxpayer. In some communities, I am sure that business without any personal property taxes may have been escaping their share. In some other communities - as an example, my own company's plants are in Florence Township and here in the City of Trenton. We happen to have heavy personal property assessments in those communities. So that I think we should be thinking of a statewide answer rather than a local community answer. And to this

gentleman, I would say that if it has been 28 and 12 1/2 as you indicate, I think that might be wrong in those communities where that might have applied.

MR. CONNOLLY: Mr. Brown, that is a state average.

MR. BROWN: Well, I still say that business is paying their share or more. Now, as an example, I know in some communities, based on the ratios that come from the Local Property Tax Bureau, that the residential assessment ratios in many cases are substantially lower than the ratios used on business property.

Now I don't know the average over the entire state and some one here from that organization may be able to say. But I know that in our opinion, in my own company's opinion, that business has been taxed at a ratio as high or higher than residences and, therefore, I am not sure that the answer of this personal property and real estate is the answer of 28 and 12 1/2.

I don't think we are trying to escape taxes.

MR. CONNOLLY: Well, then would you mind if both were in at the same level, both real and personal at the same level, regardless of what that level is?

MR. BROWN: Well, I think A 198 uses - let's see - on personal property the machinery and equipment is at the same level as real estate; on inventories, raw materials and work in process - is exempt; and finished goods is taxed at the same ratio.

MR. CONNOLLY: At one-quarter of the common level.

MR. BROWN: That's right.

MR. CONNOLLY: Should that one-quarter be the same as real and machinery and equipment?

MR. BROWN: I would say if you are going to go to that extent,

that New Jersey had best look at some of the consequences. There are many states that do that, but I think they have tied in with that a tax program that in many cases involved broad-based taxes from which they obtained a lot of revenue, which we do not in the State of New Jersey. This gives me a chance to say again that New Jersey is the only state of our 50 that has a corporation income tax without a broad-based tax. So that when you speak of this ratio of business to taxes paid by other groups, I think you have to think of the over-all tax program in the state.

CHAIRMAN DUMONT: Now the Chamber of Commerce in their figures indicated that in '59 it was $79.1 million paid in personal property taxes by business. They were concerned about a shift of another $35 million in the event that their amendment, as they put it, were not adopted. Do you agree there would be a shift perhaps of $35 million or don't you know?

MR. BROWN: I don't know. I would hope that $35 million would be a maximum. I would hope that it would be a lot less. But I must agree with the State Chamber or maybe I should say I'm glad that they would agree with us that there is a shift from real estate to personal property under the proposal.

CHAIRMAN DUMONT: I take it you would be in favor of the elimination of small tools, raw materials and so forth being exempted from the inventory tax?

MR. BROWN: I certainly would, and I would like to see us competitive with the neighboring states of New York and Pennsylvania where they do not have a tax on personal property.

CHAIRMAN DUMONT: I might say since you weren't here this morning, the assessors seem to feel if we are going to have a

business inventory tax at all, we shouldn't have any exemptions from it.

MR. BROWN: Well, I would like to see it all exempt, and naturally I wouldn't be dumb enough to say I won't take half a loaf when I can't get the whole loaf. I still think that we should be competitive with our neighboring states and eliminate this tax and I think eventually it is going to take place and some of these things take time.

CHAIRMAN DUMONT: -- providing, of course, we are in a position eventually to replace the loss. I think that is the main problem.

MR. BROWN: I agree on that. Our Committee did advocate - and it isn't a popular attack-that we replace the tax on inventories with a one per cent sales tax, but as a replacement tax only and not a matter of raising additional revenues.

CHAIRMAN DUMONT: Any other questions of Mr. Brown? Thank you very much, sir. We appreciate your coming back today.

Mr. Morrissey would like to ask you a question.

DONALD T. MORRISSEY: I take it from your remarks, Mr. Brown, that you would like to see personal property tax eliminated entirely on manufacturing.

MR. BROWN: No. That is all personal property taxes.

MR. MORRISSEY: All personal property taxes?

MR. BROWN: Yes.

MR. MORRISSEY: Would you be adverse to a transaction tax based on the total output of your machines?

MR. BROWN: Well, gross receipts taxes or transaction taxes, of which we have several of them in our country, I think are bad.

I think they are very difficult to administer and also there are some companies who have terrific volumes that suffer unduly by that. So that I don't think a transaction tax is a good measure. I don't consider that as good a broad-base tax as either a sales tax or a personal income tax.

MR. MORRISSEY: If you tax the output of the machine in lieu of your machinery, when business is good you pay more and when business is poor, you would pay less, would you not?

MR. BROWN: Of course, that is one of the theories of the corporation income tax, that if you make money, you shouldn't mind paying. I guess that is the whole theory of the income tax law, that you are taxed when you have the ability to pay and on what you are saying there, Mr. Morrissey, that might be true. But a company could have a great deal of sales volume or volume off their machines and still be losing substantial amounts of money. So that I don't think the transactions tax is a good one, a gross receipts tax. They have one in the State of Washington and two or three other places. They are really just taxing the people to death in some of those locations.

SENATOR HAINES: Are there other questions of Mr. Brown?

ASSEMBLYMAN FARRINGTON: Do I understand correctly that your opinion is that A 198 will result in a shift to business personalty?

MR. BROWN: Yes, I think that it will.

ASSEMBLYMAN FARRINGTON: You understand, of course, that the $35 million which was mentioned was a figure set forth by the Chamber as a shift, a temporary shift, which would exist during the

transition period only, and it is not my understanding that the Chamber of Commerce opinion is that ultimately there will be a shift to personalty, but is it yours?

MR. BROWN: I think that there will if these ratios of 40-40-10 exist, and I am like so many people, I can't prove it. The figures are not available to prove it despite the efforts of the state and other organizations and our own organization to obtain these figures because we really just don't know in New Jersey how much personal property there is available to tax at either full value or 40 per cent.

ASSEMBLYMAN FARRINGTON: You mentioned Trenton. Do you have an opinion as to what will happen in Trenton?

MR. BROWN: I don't know. I think Mr. Morrissey would know more about that than we do. I know that my own company pays 10 per cent of all the personal property taxes in the city and it is an awful lot of money. I don't know what it would do to us. But I think under A 198 when you don't have work in process and raw materials taxed, again you are in a situation where no one knows how much the raw materials and the work in process amounts to or the ratio between finished goods and the others. Now if it is a company that only has finished goods, naturally they know and the figures might be available. But I don't think that anyone knows of the total personal property in the state how much is finished goods and how much in these other classifications. So that I have to speak in generalities and I think there are some companies that are going to be hit in a very positive and substantial way by A 198, but I think those consequences have to be faced and I think those are

the things that we would attempt to straighten out in the future.

ASSEMBLYMAN FARRINGTON: Well, I don't like to deal in specifics in a subject like this, myself. But you have mentioned your company again. You said you pick up the tab for 10 per cent of the bill in Trenton. And, of course, that includes the assessments on all of your inventory, including your raw material, and so forth. Would you be able to hazard a guess as to what per cent of the bill your company will pick up if we go into the 12 1/2 per cent ratio and if we eliminate raw materials and work in process?

MR. BROWN: In the past, it is my understanding that assessors in preparing their lists differentiate between the personal property assessment of machinery and equipment and inventories. There are some gentlemen here who are assessors who know so much more about that than I do. In the case of our company tax bill, I have never seen the breakdown between machinery and equipment and the inventory figure, and I don't think it is generally available to taxpayers. Yet, I think the assessors in preparing their lists must do so. So that if anyone were to say to my company or to the others, how much of it is inventory and how much of it is machinery and equipment, we really just don't know. And I think that same thing applies to other taxing communities in the state. There may be some - and I am not familiar with them - where the tax bill will show that. So that the relationship between machinery and equipment and inventories is just not known and the information is not available anywhere.

I am sorry I can't give you any more definite answers than that, Mr. Farrington, but it is really a problem.

ASSEMBLYMAN FARRINGTON: On the over all on your entire bill

for personal property, what ratio would you say it is being assessed at?

MR. BROWN: I think the ratio in Trenton - is it 30 per cent, Mr. Morrissey?

MR. MORRISSEY: Mr. Brown, Mr. Vandegrift, who is the chief assessor, has charge of personal property as pertains to business and to manufacturing. That is a little out of my department and out of Mr. Russo's department. I believe, personally - this is a personal opinion - that through the establishment of a definite percentage to apply on manufacturing property, would prove to the advantage of manufacturers rather than to their disadvantage. I don't believe it would cause any shift and if there is a shift, it would be to their benefit.

MR. BROWN: I don't think that the shift to which Mr. Morrissey refers applies as much in Trenton as it might in some other communities. For instance, if you have a community that doesn't tax personal property at present and we suddenly go to the same ratio on machinery and equipment that you have had on real estate, and they haven't been having any tax, there can't help but be a shift. So that this could be a very definite shift in one location and not in another.

ASSEMBLYMAN FARRINGTON: But in Trenton, I understand they do a very fine job with respect to assessing personal property.

MR. BROWN: On personal property they certainly obtain a lot of money from it and whether this would bring in more tax on personal property, I don't know.

MR. MORRISSEY: Mr. Brown, it might be of interest to the

Legislature ---

CHAIRMAN DUMONT: Now, Mr. Morrissey, you are going to be testifying later on. If you want to mention anything then, you can. I don't want to short change you here. But if you want to ask questions of Mr. Brown, all right. If you are going to make a statement, I suggest you wait until you testify.

Do you have any more questions you want to ask Mr. Brown?

MR. MORRISSEY: No, I haven't.

ASSEMBLYMAN FARRINGTON: Mr. Brown started off by asking him a question.

MR. BROWN: I am sorry. I didn't really intend to bring my own company into it, except that I know more about that than I would about any other taxes.

CHAIRMAN DUMONT: Anybody have any questions of Mr. Brown? Thank you very much, Mr. Brown.

Richard J. Hughes, Legislative Counsel, Associated Railroads of New Jersey.

Judge, I think we asked you the last time if you would check some information for us in regard to whether if there were not some tax relief for the railroads forthcoming, regardless of any contract for services, they would have to discontinue passenger service or discontinue it even more than they already have, and you promised us you would get us some information on that.

RICHARD J. HUGHES: Yes, Mr. Chairman. As I recall the question then, both you and Senator Fox asked me whether contracts by the State for suburban rail service would alleviate the tax problems of the railroads. I answered this question in general terms, pending an opportunity for consultation and consideration of the

problem, but the rejoinder I did make was generally accurate. I believe though that the two questions are separate and cannot be considered together, except to the extent of the tax burden on property and facilities which are devoted to passenger service.

The total railroad tax bill in this State, as you know, is now approximately $18 million a year. And of this amount, approximately $3 1/2 million is applicable to property and facilities devoted to passenger service, which is performed as a public convenience. This passenger service entails a loss very substantially in excess of the taxes involved in its operation. If the State would contract with the railroads for suburban passenger service by paying an amount to meet all losses from that service, including the $3 1/2 million for taxes, such contracts of course would alleviate just that much of the railroads' tax burden. So that the specific answer to the question is that such contracts for passenger service can alleviate the railroads' tax problem only to the extent of taxes on property and facilities devoted to passenger service.

However, assuming that such contracts were made, a tax burden on the railroads of some $14 1/2 million would remain. We believe that the proper approach to this tax problem would be a system under which the railroads would be taxed upon the same basis as competing forms of transportation. But this is not the immediate problem confronting the Committee today. And as you said previously, you have enough on your hands with the specific legislation under consideration. The present legislative effort is aimed at equalizing the tax burden as among all property owners, including the railroads, within the framework of existing laws, by authorizing

standards for valuation of real property which it is hoped will be applied in actual practice. Fair treatment will not be achieved under such ad valorem real property tax system until all real property is assessed at the same standard of value. We believe that S 1 and S 4 are the only bills that will result in placing the railroads upon the same assessment basis as other property owners, and for that reason we have advocated their passage. We are convinced that A 198 as it now stands would, as a practical matter, and not a matter of intent, result in a continuation of discriminatory taxation of railroad property. However, if the provisions of S 2 were incorporated in A 198, we think that all taxpayers, including the railroads, would be able to obtain equitable tax treatment in an expeditious manner. It has been commented authoritatively that the cumulative result of cited decisions of our courts leaves the taxpayer who claims discrimination with a theoretical right to a remedy, but with a virtually impossible practical burden of proof, inasmuch as he must prove the existence of a common level of assessment before even approaching the burden of showing that he is being singled out for subjection to a more burdensome assessment standard. We believe that S 2 would provide a critically needed gauge for testing and enforcing assessment uniformity. As a component of A 198, therefore, S 2 would represent some practical assurance of equality in tax assessment treatment for the railroads.

Nevertheless, the component, S 2, needs some improvement also. First, we concur with the position of the New Jersey State Chamber of Commerce and others that the margin of practically authorized inequity in S 2 - that is what it amounts to - should be reduced. In addition, we question why the level shown by the

Director's ratios should merely be a rebuttable presumption. The taxing districts have already had the right, by force of the statute, to contest these ratios and have them corrected by the Division of Tax Appeals. What rebuts the presumption -- the bare subjective testimony of an assessor that he assesses at 50 per cent, even though the objective test of bona fide sales shows a much different result? Or might it be sufficient for the assessor to testify merely that there is no common level of assessment? If the presumption is to be rebuttable, we believe more evidence than the subjective testimony of the assessor should be established as a minimum standard for such refutation.

Now as to the classification bills being studied by the Committee, may I repeat that we feel that however sincerely they are intended, they would have the practical effect of simply legalizing the discriminatory assessment practices which have resulted in unjust taxation of railroads in this State for so many years.

Returning to the question of contracts for suburban passenger service, I would like to remind the Committee that it seems prima facie unjust to charge the railroads 3 1/2 million tax dollars a year for performing a public service at a tremendous financial loss. If the State wishes, in effect, to pay these taxes by absorbing them in contracts to meet the entire loss from suburban passenger service, we of course would have no objection; but as to the remaining taxes, we think that minimum justice requires treatment for the railroads upon the same basis as treatment accorded other property owners.

As I said in my prior testimony, we are here merely asserting

that as a matter of equity and fair play, the yardstick used to measure the railroads' obligation to support local government should be no longer than the yardstick used to measure that same obligation of other property owners.

I want to thank the Committee for its courtesty in permitting this brief return engagement to answer this question.

CHAIRMAN DUMONT: Any questions of Mr. Hughes? Judge, this $3 1/2 million you mention, is that what you allocate to the total taxes paid by the railroad - is that what you allocate to the passenger service?

JUDGE HUGHES: Yes, $3 1/2 million.

CHAIRMAN DUMONT: Contracts for suburban passenger service you feel would be a tax relief to the extent of those contracts, in so far as the $3 1/2 million is concerned?

JUDGE HUGHES: Well, to the extent of the taxes. But I think you probably know the assertion of the railroads, which is backed but not only the I.C.C. analysis figures, but also by a recent independent analysis by accountants representing the County of Philadelphia - the City of Philadelphia - where there is a commuter contract plan now in effect. The loss for this suburban passenger service to the railroads of New Jersey is in excess of $25 million, aside and apart from the $3 1/2 million taxes on its passenger facilities.

CHAIRMAN DUMONT: Then actually, if you had a contract for services and you still were paying this $3 1/2 million in taxes, the contract would be, of course, just what it says, for services that you are going to render to the State or to the people of the State in return for the money you receive under the contract. Now,

actually, as long as you are rendering services in return for the money, and you wouldn't have a contract if you were not, you are still paying the taxes in addition, so is it actually tax relief?

JUDGE HUGHES: It is not, no, sir. The concept there would be - the presumption would be that the contract for services to be fair would be a quid pro quo for the value of those services, which would eradicate the loss presently being suffered by the railroads for rendering those services. There would still remain, however, the --

CHAIRMAN DUMONT: -- the tax liability.

JUDGE HUGHES: -- the tax liability.

CHAIRMAN DUMONT: Is it your theory about S 2 that if it were reduced from 15 per cent to 10 per cent that that would provide more in line with what you have in mind?

JUDGE HUGHES: Yes. In fact, Senator, in my previous statement, we suggested a downward modification of 5 per cent. This would permit the band or variation mentioned by Assemblyman Matthews to be a total of 10 per cent, which we have called in the statement I just made the permissible bounds of inequity. I think that may be a little strong as a statement. It is a permissible area of error or difference of opinion among appraisers and assessors and so forth.

CHAIRMAN DUMONT: Now you think that A 198 would provide you folks, as well as everyone else, of course, with equitable treatment, providing Senate 2 were either incorporated in it or passed as a separate bill along with A 198.

JUDGE HUGHES: We prefer it to be an actual component - first, to avoid the pitfalls of the legislative process, etc. We would

like to see A 198 as a plan or a formula, a new departure in assessment practice, to incorporate this S 2,which is certainly germane to it.

CHAIRMAN DUMONT: But you would also like the component better if the percentage were lowered?

JUDGE HUGHES: Yes, sir.

CHAIRMAN DUMONT: -- or if - well, I should say "and" if rather than "or," I guess - the rebuttable presumption were eliminated or at least more clear proof were required to rebut?

JUDGE HUGHES: We think, and I considered when I was preparing the answer to this question, Senator, that legislators are particularly sensitive and sympathetic to standards that mean something being in legislation. And if we just say a "rebuttable presumption," one court or body may hold that that means it can be rebutted by the unsupported, subjective testimony and rather random testimony of some assessor - not that all would so testify. Many of them undoubtedly would bring in valuation studies and so forth. But unless there is some standard in the bill, we think the term "rebuttable presumption" is so loose that it doesn't mean too much.

CHAIRMAN DUMONT: Any other questions of Judge Hughes? Mr. Greene.

ALFRED GREENE: Judge Jughes, you made a statement that you are of the opinion that the railroad properties would like to be on the basis of other properties and pay their own fair share as far as the burden of local government. How would you feel if railroad properties were taken from the State and assessed locally by the local assessor on the basis of adjoining land values? What would your thinking be on that?

JUDGE HUGHES: You mean your Class I railroad properties?

MR. GREENE: No. I refer to Class II. That is the only thing -- Class II would be local with the respective taxing districts that enter into the taxes.

JUDGE HUGHES: So far as the railroads are concerned, whatever the means or manner of statutory devices concerned, if they were taxed on an equality of assessment treatment with comparable or adjoining property, the railroads would be satisfied and well pleased.

MR. GREENE: Thank you, sir.

CHAIRMAN DUMONT: Any other questions of Judge Hughes? Thanks very much, Judge, for coming back again today.

JUDGE HUGHES: Thank you.

CHAIRMAN DUMONT: Mr. Russel T. Wilson, Assessor of Englewood; Chairman, Tax Study Committee, New Jersey State League of Municipalities. Russ, I think we have copies of your statement here from the previous time when you were not here to deliver it, but we are happy to have you here today to give it in person.

RUSSEL T. WILSON: Thank you very much, Senator Dumont.

CHAIRMAN DUMONT: Do you have additional copies if anybody needs them?

MR. WILSON: I have additional copies.

CHAIRMAN DUMONT: There are a few here if anyone wants them.

MR. WILSON: I am appearing here today with the blessings of Judge Waesche, who is presiding over the Ridgefield Park Case in Bergen County. He agreed that maybe more good could be accomplished by an appearance here than an appearance in his court today.

My first statement is made on behalf of the Tax Study Committee of the League of Municipalities.

My name is Russel T. Wilson and I am assessor for the City of Englewood. This statement is submitted on behalf of the Tax Study Committee of the New Jersey State League of Municipalities. I have served as Chairman of that Committee for the past several years and have had the pleasure of appearing before you on several occasions discussing taxation and equalization matters.

Many of the comments contained herein have been endorsed by the League Legislative Committee which met recently to consider most of these bills. This legislation is most important to all of our municipalities and we hope that any solution reached will be beneficial to all of the citizens of our State, our economy, and the future growth of New Jersey.

A great number of bills dealing with the tax equalization problem have been entered in both Houses of the Legislature. Only a few are up for consideration today and I shall, therefore, confine my comments to those bills which were announced last week for public hearing. I might add that "last week" was several weeks ago.

Several of these bills are opposed by our Committees and I will dispose of them first.

Senate 11 would create the office of County Supervisor for the equalization of taxes in each county; it would require appointment by the Freeholder Boards for 5-year terms and be applicable to the year 1961 and each subsequent tax year.

Our Committee is opposed to this bill because we believe that the County Boards of Taxation are currently carrying on equalization work in a most satisfactory manner. We see no reason to appoint a County Supervisor of Equalization on a political basis. This bill establishes no qualifications for such a position. Because

of the fact that such a person need not be qualified and because the work is presently being carried out by the Boards of Taxation, we are opposed to this bill.

Senate 29 would require a uniform standard of property assessment to be established in each county prior to October 1st by the Board of Freeholders, such standard to be fixed at a ratio of not more than 50 per cent and not less than 10 per cent of full and fair value of the property to be assessed.

We can see no reason to interject the County Board of Freeholders into this picture. Because other bills concerning the establishment of a local county ratio are more desirable and comprehensive, we are opposing Senate 29 at this time.

SCR No. 8 would provide for a Constitutional amendment calling for the assessment of property by uniform rule in the State, counties and municipalities for their respective purposes; it provides for separate uniform assessment of railroad property as a class and for the assessment of all real property other than railroad according to the same standard of value applicable locally.

Local ratios for local purposes may be desirable as a last resort; however, our Committee is not able to accept this bill at this time. Our thinking is undoubtedly influenced because a somewhat similar resolution was defeated by the voters in 1956. Because of our preference for other bills, we voted to oppose this resolution at this time.

Assembly 350 would require the local tax assessor to evaluate real property, taking into consideration the selling value, the rental value, any unusual features as to size and location; in the case of improved property, the cost, replacement cost less

depreciation; and to make such determination by October 1st of each year.

This bill is similar to Assembly 350 which has been introduced the past several sessions. Exactly what it would accomplish is most confusing to the assessors and attorneys with whom we have discussed it. It is our feeling that it would lead to a great deal of confusion and require many court interpretations. Because it would be no improvement to the existing statute, we are opposed to Assembly 350.

Senate 2 and its counterpart Assembly 129 would establish several rebuttable presumptions relating to appeals taken from tax assessments on the grounds of discriminatory valuation.

Our Committee voted to take no action on this bill at this time, since it is relatively minor. Until such time as a basic bill is enacted into law, we feel that several of these other bills should not be moved.

May I say parenthetically, Senator, I don't visualize any opposition to this bill in our Committee and I personally would go along with the other recommendations that have been made here today to narrow that gap to 10 per cent on each side of par, let's say.

Senate 3 and Assembly 125 would fix the rate of taxation on the gross receipts of public utilities at 7 1/2 per cent instead of at the average rate of taxation in the State as heretofore computed. The present floor and ceiling would be removed from the statute and the rate would be set at 7 1/2 per cent.

The League Tax Study Committee and Legislative Committee strongly endorse this bill. We have asked for several years that

the rate be pegged at 7 1/2 per cent because the average rate of taxation per $100 of valuation will decline rapidly as more and more municipalities assess at higher ratios. In 1959, the ratio started down for the first time in modern history. It is, therefore, most important that we establish the gross receipts tax rate at 7 1/2 per cent.

There is no telling what the average rate for 1960 may be when we consider that more municipalities may go to 100 per cent and others may raise their ratios substantially.

This bill can be enacted into law independent of any major taxation program. It will insure our municipalities that they will receive public utilities gross receipts taxes at the same rate which the utility companies have been paying for some years.

Senate 1 and Assembly 133 would require the determination of taxable value, for assessment of equipment, tools, machinery, personal property other than inventories, and tangible personal property not used in business, at 50 per cent of fair value; of inventories, farm livestock, crops and produce at 12 1/2 per cent of fair value and real property at 50 per cent of the price it would sell for at a fair and bona fide sale. It makes appropriate amendments to assessment procedures and requires business personal property information to be filed annually.

Our Committee voted to approve this bill in principle for we believe that a State-wide uniform standard is still the best solution to this problem. However, we cannot limit our support to this bill because a similar bill passed the Senate last year and did not receive Assembly approval. Therefore, for various reasons, we may have to consider other possible solutions to the

problem.

Senate 9 and Assembly 198 would provide that all real property subject to assessment taxation for local use be assessed at the same standard of taxable value as established by each county Board of Taxation for uniform application throughout the county. Such ratio is to be expressed in multiples of 10 per cent; the bill provides that the taxable value of machinery, implements and equipment and all other personal property other than inventories, farm implements and livestock shall be the same as that established by real property; it fixes the level for inventories (other than those of raw material, supplies, work in process and small tools) at 1/4 the level established for real property. The bill also requires the filing of personal property information returns.

Senate 9 is the bill which has received our greatest attention. While we may prefer the State-wide uniform ratio, we feel that for various reasons Senate 9 (or its counterpart Assembly 198) may be the only solution which can be enacted into law during this year. I will, therefore, go into greater detail concerning the various provisions of these bills.

On page 9, paragraph 3, we feel that the September dates are not realistic and any ratio set by the County Board of Taxation should be determined earlier in the year so that the assessors' books can be prepared in more orderly fashion.

On page 2, paragraph 5, the fair value of tangible personal property used in business shall be the "net book value" as shown by the books and records of the person assessed as of the listing date. We recommend that this section be amended so that cost less a fixed schedule of depreciation - as established by the Director

of the Division of Taxation - is the fair value of such property. This suggestion is made because there are all kinds of "net book values" based on varying schedules of depreciation as outlined by the Federal Internal Revenue Code. Again, in paragraph 6, on page 2, the fair value of inventories should be according to cost.

On page 3, paragraph 8, the assessors are opposed to removing raw materials and work in process from business inventories. We feel that in many of our larger municipalities a great deal of the inventories will consist of raw materials and work in process. In order to protect communities having such industrial plants, we urge that this statutory provision not be deleted.

On page 4, section 9, the Committee feels that the Director would be given the power to classify or exempt property under this section. We feel that this particular paragraph should be excluded since it is too inclusive and decisions as to various kinds of property should be left to the courts.

On page 5, line 24, and following the word "value" we would suggest that the words "as defined in section 5" be inserted.

In the reading of paragraphs 12 and 13, it might be concluded that the sponsors were attempting to distinguish between household furnishings and personal effects (furniture vs. jewelry). We were convinced, however, that such was not the intent, and suggest that line 1 of paragraph 12 be amended to read: "Tangible household personal property including personal effects" shall be, etc. I think that would eliminate what we think is a misunderstanding there.

On page 12, paragraph 24, lines 10 through 13 deal with the definition of farm land and its use. We feel that this particular provision is most confusing for even though a portion of a farm

is sold for residential purposes or business development, it is still possible that the remaining farm land could be used only for agricultural purposes. We suggest that the language contained in Senate 1 on page 5, section 10, lines 10 through 12 be substituted in Senate 9. We feel that this is a more positive approach to the definition of agricultural land.

Our Committee is still studying the various provisions of Senate 9. We hope that at a future date we can further supply you with our final conclusions.

I would like to conclude by commenting briefly on two other matters before you for consideration. Senate 4 and Senate Concurrent Resolution 10 are still before our Committee for study and report.

Senate 4 would fix the value of railroad property at 50 per cent and SCR 10 provides for a constitutional amendment establishing classification of property for assessment purposes. At this time, we are not ready to accept classification as the only solution to the tax problem. We are carefully considering various aspects of classification as it fits into the entire taxation picture.

In addition to the bills up for discussion here today, there are many bills and resolutions dealing with property tax exemptions for various taxpayers, be they veterans, disabled veterans, over 65, etc. Our Committee is holding all of this legislation in abeyance until the most important and basic statute is determined. We reiterate our stand of last year that a study be made of various exemption statutes and how they affect our property tax base.

Our Committee will continue to study various pieces of legislation dealing with this most important problem and if we can furnish you with any information on any particular aspect, please

do not hesitate to call upon us.

Senator, that concludes my prepared statement on behalf of the League Tax Study Committee. I have an additional statement of my own that I would like to read, but if you would prefer I will stand for examination on the Tax Study Committee's proposal before I go into my own, which is somewhat of a repetition.

CHAIRMAN DUMONT: Are there questions of Mr. Wilson? (No response).

Well, now, Russ, there are a couple of things here: The Tax Study Committee of the League represents the entire League; is that correct?

MR. WILSON: Oh, yes, it is a duly-constitued Committee of the League of Municipalities.

CHAIRMAN DUMONT: And at the present time you number 534 municipalities as members out of 567; is that right?

MR. WILSON: Correct.

CHAIRMAN DUMONT: So this, then, is the combined judgment of all those municipalities, 534?

MR. WILSON: It would be impossible for me to make that as a direct statement, Senator, because we have not had an opportunity to present the views of the Tax Study Committee to all of our member municipalities. We believe that we have a fair cross section of representation and from all phases of municipal life represented on the Tax Study Committee, however. I doubt if there would be any material disagreement with the Tax Study Committee's conclusions.

CHAIRMAN DUMONT: Do you have any comment you want to make in regard to the report that was made by the New Jersey Assessors' Association this morning?

MR. WILSON: I don't think - in fact, I know that

I do not materially disagree with the statement. I was one of those who voted in favor of supporting the statement. I have perhaps included in my own statement, which will follow, a few remarks that may deal with that subject if I might defer it for the moment.

CHAIRMAN DUMONT: You are in favor of not having any exemptions from the inventory tax, as long as we have such a tax?

MR. WILSON: That is correct, sir.

CHAIRMAN DUMONT: Will you be commenting in your own statement on this base year proposal of the Assessors' Association?

MR. WILSON: No, I do not have that included.

CHAIRMAN DUMONT: Would you care to give us your thoughts about that?

MR. WILSON: I will be very happy to, Senator. I think that this is a very important phase of the administration of assessment problems. We all realize that to conduct a re-valuation every year is a physical and financial impossibility. That's what the present law contemplates, I believe. Most of us actually have a base year from which we have been working; for example, in Englewood we had a revaluation in 1952, and since then I have been carrying all my values back to as of that year. I think that this perhaps should be written into the law so that we can have a common base from which to make our assessments and let them stand for a period of time, to enable trends and current conditions to jell and until such time as a revaluation can be justified. I would think that every eight to ten years would represent an appropriate length of time for that purpose.

I think also that, as time goes on, we can improve the capacities and qualifications of our assessors to the point where

it would not be necessary, perhaps, to call in an outside revaluation firm every ten years. Once the assessors can learn how to maintain a revaluation program, it should be a relatively simple thing to bring it up to date, let's say, every eight to ten years through their own devices and perhaps with the addition of some small staff.

CHAIRMAN DUMONT: And whether it be a base year or whether it be a reassessment every three or five years, you believe it should apply to all municipalities, not just those that have revalued; is that correct?

MR. WILSON: Yes. On the subject of revaluation, then, I think I will cover part of that in my own statement. This deals with paragraph 37, I believe it is, of Senate Bill 9, which I don't think has been touched on heretofore today. I think I can cover that point at that time.

CHAIRMAN DUMONT: How about the transition period. Will you be covering that in your statement, too?

MR. WILSON: Yes, I can discuss that in my statement.

CHAIRMAN DUMONT: Well, suppose you go ahead, please, with your own statement, if you will.

MR. WILSON: Thank you. I'll make this as brief as possible. I have additional copies of this, too, if anyone wants them.

My name is still Russ Wilson and I still am from Englewood.

As assessor for the City of Englewood and as an individual taxpayer in the State of New Jersey, I wish to comment briefly on some of the pending tax bills in which my personal views may differ slightly from those of the Tax Study Committee of the

League of Municipalities and the New Jersey State Assessors Association.

Of the two major bills, S-1 and S-9, my preference runs to the statewide uniformity philosophy which is expressed in S-1. Largely because the public seems to demand that a standard somewhat less than 100% for real and personal property be set by the Legislature and because S-9 seems to have developed some support in the Legislature, I can see no serious objection to compromising for the county ratio philosophy which is contemplated by S-9, although neither bill solves the problem of stratified assessments. The proposal as contained in S-9, for handling the business personalty, seems to me to require amendment in several respects, and I am convinced that "net book value" should not be established as the basis for business personalty, and in lieu thereof I recommend that original cost less fixed schedule depreciation to a minimum residual value of 20 or 25 per cent be substituted and that inventories in all categories bear the same ratio to value as that established for machinery and equipment, in order to treat all business personalty alike and in the absence of an announced contrary philosophy.

Most of my reservations and suggestions concerning this bill are covered by the comments which I made on behalf of the League of Municipalities, and I will not go into them again here.

The League Tax Study Committee has not had the opportunity of completing its study of this and other pending legislation; therefore, I will take this opportunity to comment personally on Section 37, which is on page 18 of Senate-9. This clause would allow the assessor to utilize his present tax list as the basis for the 1961 assessment if it is impracticable for him to employ the percentage level established in the county for that year.

It would further allow discretion to the Director of the Division of Taxation to permit continuation of this practice until the completion of a local revaluation program. It is fairly obvious that many districts could not rewrite their assessment lists on any uniform basis at this time. This applies principally to those municipalities which have not yet completed a revaluation program. Therefore, some consideration must be extended to meet this situation. It is also fairly obvious that there are a great many districts in the State which will not voluntarily embark on revaluation programs unless and until they are required to do so by the Legislature or by court order. Similarly it is pretty well recognized that the combined capacity of all of the revaluation firms in New Jersey would not be sufficient to accomplish the revaluation of the approximately 300 districts which probably require it. It seems probable, therefore, that this is the reason for the discretion bestowed upon the Director in this clause which, in turn, ties in with clause 17 on page 8 of the bill, which allows the Director to establish priorities for the proper utilization of such revaluation facilities as may be available at any given time.

The only alternative to this problem which might hasten the procedure would be to require the assessor in unrevalued districts to multiply his individual assessments by the average sales-assessment ratio found for his district for school aid purposes, and thus impress his local taxpayers forcibly with the need for the program of reassessment. This operation would without doubt produce many assessments which would so far exceed the reasonable market value that the County Tax Board would be deluged with appeals, thus adding further flame to the fire.

Under conditions as they exist, I feel that the Director must be in a position to bring appropriate pressures to bear, and it seems to me that the clause as written will accomplish that purpose.

I have only two other thoughts which I hope are worthy of mention. It seems to me that if the Legislature had appropriated funds for a reappraisal of the railroad property throughout the State, as it was asked to do repeatedly by the Division of Taxation, we at least would be better informed on whether the railroads' contentions of 100% assessment are correct. In any event, it appears the railroad assessment problem is of major consequence in Hudson and Essex Counties and, in some degree, to most of the other areas of the State. I propose that the valuation and assessment of second-class railroad property be turned back to municipal jurisdiction, in order that the local assessors may have an opportunity to revalue such property in their own districts, and similarly offer the opportunity to the railroads to contest such assessments through normal appeal channels. In all probability, it would not take the assessors as long to revalue the property as it has been since the last reappraisal by the State.

The revision of veterans' and widows' exemptions has been the subject of various proposals in the Legislature ever since the Switz case was decided. Even with statewide uniformity of assessment, it is doubtful, in my opinion, that there would be equity in the treatment of veterans' exemptions in the various districts due to varying municipal services, differences in market value concept, and resulting variations in tax rates. If it is the philosophy of this Legislature and the people of the State to treat veterans equally, I would urge a constitutional amendment to provide that the basis for exemption be revised from the $500 assessed value deduction to a flat tax

dollar reduction of $40 or $50 per annum.

You gentlemen of the Senate Committee on Revision and Amendment of Laws, and many of your legislative colleagues, have labored long and intensively in an attempt to solve the problem of property tax in this State, and for this I wish to express my sincere thanks. To attempt a general revision of the property tax laws, as we all know, is a stupendous and frustrating experience and I have just about arrived at the conclusion that it is not possible to write into a single bill all of the amendments which are presently considered desirable and at the same time foresee and overcome the problems which will arise with any revision. With this in mind, perhaps the best procedure would be to amend Senate 9 in its important aspects, get it through both Houses, and then stand by for further amendments and revisions as called for by our experiences and observations of the results of the new legislation.

Your patience is appreciated.

CHAIRMAN DUMONT: Are there any questions of Mr. Wilson?

Mr. Weiler?

A. E. WEILER: Mr. Wilson, in your statement you mention that your preference runs to the statewide uniformity philosophy.

MR. WILSON: Yes, sir.

MR. WEILER: And that, I assume, is on real property?

MR. WILSON: That's right.

MR. WEILER: In a few lines down, you see no serious objection to compromising for the county ratio philosophy.

MR. WILSON: That's right.

MR. WEILER: In other words, you are compromising?

MR. WILSON: Yes, it's fairly obvious, Al. This is done, I think, with realism in mind. Apparently, we couldn't get through a statewide uniformity bill last year. For some reason or another, the county uniformity seems to have caught the fancy of the Assembly, at least - it was carried with quite a few votes - and, therefore, to be practical, I'll settle for it.

MR. WEILER: But by the same token, the electorate was against it, weren't they?

MR. WILSON: I don't know what you mean by that, Al.

MR. WEILER: Didn't the electorate vote for something like that two years ago? Or against it, rather.

MR. WILSON: Oh, you mean the referendum that failed in 1956?

MR. WEILER: Yes.

MR. WILSON: No. That was for local option; that wasn't county option. That was the Beadleston package that you are referring to.

MR. WEILER: Yes, that's right. That was for local option?

MR. WILSON: Yes.

MR. WEILER: Do you think that the electorate would be more satisfied with county option?

MR. WILSON: Well, actually, I must confess that I believe that if we had been able to explain what that Beadleston package was all about, the result would have been different. I don't think the public understood what they were voting on.

MR. WEILER: Do you think it's good practice to have different ratios throughout the different counties, or even different municipalities?

MR. WILSON: Actually, I think, like a great many of us, I would concede that local uniformity is the only test we really need to be concerned with. However, I think that it is better if we can broaden this - if we can broaden this to the county level, fine; better still, if we could broaden it to the state level. But for some political reason, it just seems that we can't get through the state uniformity bill.

MR. WEILER: Has there been any activity to get this true value on the state level; in other words, there has been no compulsion on the part of the assessor to assess at true value except in some instances.

MR. WILSON: Exception, yes; there is a great deal of pressure right now in Bergen County, and I suspect it will spread.

MR. WEILER: But don't you think that we could get a true value bill throughout the State?

MR. WILSON: You mean, for statewide uniformity?

MR. WEILER: Yes.

MR. WILSON: I would be for it if we could, Al, but I am trying to take into consideration what appears to be a psychological block on the part of some of the legislators.

MR. WEILER: I don't think it is.

MR. WILSON: Well then, why didn't we get S-81 through last year that Senator Dumont introduced?

MR. WEILER: We had a 50 per cent bill last year; we had a 40 per cent bill last year.

MR. WILSON: Do you think the ratio was what killed that?

MR. WEILER: I think so, because it interfered with Hudson County, and Hudson County was afraid of the taxes that they were going to receive from the railroads.

MR. WILSON: I can't believe that the representatives of Hudson County are so blind to the facts of life. I think that it's uniformity in any degree that is a problem to Hudson County.

MR. WEILER: They're not blind. They are trying to protect their constitutents, and rightly so.

MR. WILSON: So it was uniformity that blocked them rather than the ratios that were prescribed by the bill. At least, that's my opinion.

CHAIRMAN DUMONT: I might say that the Hudson County Assembly delegation voted against A-198 this year, too.

MR. WILSON: They're consistent.

CHAIRMAN DUMONT: Right.

MR. WEILER: All right, that's all.

CHAIRMAN DUMONT: Any further questions?

CLARENCE DELGADO: I am Mr. Delgado, Assessor for Ridgewood.

Mr. Wilson, you are a member of the Executive Committee of the Bergen County Assessors Association?

MR. WILSON: I'm not under oath. You know I am.

MR. DELGADO: What was their recommendation on the--

MR. WILSON: You tell me; I don't know. I am perfectly willing to answer any questions--

MR. DELGADO: Well, you were at the meeting the other night. What was the recommendation of the Association's Executive Committee on Mr. Greene's Tax Study Committee?

MR. WILSON: Well, it's a pretty broad subject, Del. Refresh my memory as to what you have in mind.

MR. DELGADO: Well, what we voted that the Bergen County Assessors Association would approve.

MR. WILSON: You mean just support the statement that Mr. Greene made?

MR. DELGADO: Yes, that's right.

MR. WILSON: Yes, that's substantially correct.

MR. DELGADO: And you also spoke about revaluations every eight to ten years and the ease that it would be for the assessors to continue this work after revaluation, but don't you think under the present assessment administration, with the ramifications of the job, that the assessors have been changing too often to keep this in order?

MR. WILSON: That's perhaps a good question and I think it's designed to be a leading one. Yes, I'm in favor of the county assessor system or the regional assessor. I think that with our present complement of nine hundred and fifty odd assessors it's almost impossible to hope that we can get any degree of uniformity, statewide, or countywide either for that matter. The turnover in the assessors' ranks, I guess, has been close to 20 or 25 per cent a year for the past few years, and this is brought about of course by several factors; first of all, the low rate of pay, the bad working conditions, the additional work that has been put upon them, and this is particularly difficult for the part-time man who doesn't have too much time at his disposal. I recognize the difficulty it would be for the average assessor today to really maintain a revaluation program, let alone devise one of his own, but I'm still optimistic enough to believe that wecan train enough of them so that it will not be necessary every ten years for every town to have a completely professional revaluation program.

Is there anything else you want to refresh my memory on?

MR. DELGADO: That's all.

CHAIRMAN DUMONT: Are there any other questions?

MR. JOHN CONNOLLY: I am Mr. Connolly from South Orange.

Russ, I am a little puzzled on one thing here: On page 4, paragraph 4, of the State League's Report, under tangible personal property, you say, "tangible household personal property including personal effects." Do you mean "excluding" or "including;" in other words, do you want personal effects to be assessed where there is a referendum on it?

MR. WILSON: No. I want household personal property abolished. I think, so far as I am concerned, that the bill, S-9, providing for local option, is satisfactory here - but, so far as I am concerned, if this bill were to pass, I would undertake to have it abolished.

MR. CONNOLLY: I agree with you there. However, let's assume the municipality wants to continue to assess household personal, would you also have them assess personal effects?

MR. WILSON: This is a difficult question, Jack. You and I have discussed it, as we know, and I did refer to that in the League's statement. We were afraid that, by the wording of that bill, there might be an attempt to discriminate as between household furnishings as such, and personal effects as such. As far as I am concerned, in my assessment of household goods, it has included furnishings and personal effects. I haven't singled out diamonds specifically. As a matter of fact, I don't believe I've got a single diamond assessment in Englewood, although I'm sure there is one or two there. But I haven't attempted to distinguish between the two, so I regard it as an all-inconclusive thing. Have I answered your question yet?

MR. CONNOLLY: Don't you think that it would be an impossible task for any person to assess the personal effects? I believe with household, you could arrive at some formula somewhere, but on personal effects I think it is almost an impossibility and as long as it's impossible it shouldn't be in there in any form.

MR. WILSON: I think that's a fair statement, Jack. I would be inclined to agree with you. I don't know how we would ever get a measure of personal effects as such. I would agree that they should be excluded, even with those communities that wish to carry on household personal.

SENATOR DUMONT: All right. Mr. Haines.

MR. HAINES: I am Mr. Haines from Vineland. Russ, you heard Mr. Hunt's comment this morning about exemption for persons over age 65. Would you care to comment on that at this time?

MR. WILSON: Thank you. I'm glad you asked that question.

Of course, so far as I'm concerned, I think I said it last year at the Senate hearings - I would like to see all exemptions abolished, starting with the churches, to the educational institutions, and including all exemptions as they now exist. However, this is not a very realistic thought to express. But dealing especially with the legislation which is now before you gentlemen, some of it dealing with relief for the aged - or the elderly I prefer to think of it - I don't believe that this is the solution to the problem. I don't think that a homestead exemption is going to accomplish what we would wish it might accomplish. I am extremely sympathetic with the plight of people living on limited income, dividends, social security, etc., but it seems to me that the moment we start allowing homestead exemptions for these people we are merely shifting the burden to other people in similar circumstances. This is not necessarily my own view. It was very

clearly and ably expressed in the Newark Sunday paper not too many weeks ago. It would merely be a shift of burden to other people retired who are renting instead of owning their own homes, and I just don't believe that this is the solution to the problem.

On the subject of personal property assessments - I am speaking of business personal property assessments - I am desirous of one thing: I want teeth in the law; I want the requirement that business be required to submit a statement under oath, with penalties for failing to file, etc. It is my belief, and I don't want this to be carried back to Englewood as a threat to anybody, but it is my belief that if business personal property can be properly and conscientiously and formally assessed, it will represent some small relief for the homeowners in my district at least, because I know that I am not assessing business personal property on any uniform basis. And I must confess there will be a shift in the direction of business personalty in my opinion. I don't really know the value of it.

GEORGE LINGER: My name is George Linger and I am Tax Assessor in South Plainfield.

Russ, it is not a criticism; I want to compliment you, and it's the first time I have heard anyone take a stand on soldiers' exemption, which has been my pet peeve. I believe that is one of the most discriminatory taxes that we have on the statutes. For instance, in my municipality a solder gets $25. We have a tax rate of five. Twenty-five dollars exemption for $500, because of the tax rate being 5. Our neighboring municipality, which we border, has a tax rate of 14, and he gets $70 tax exemption. If that isn't discriminatory, I don't know what is. So I believe that that statement that you made is one that I

endorse and I hope others will take heed, and especially in talking about part-time assessors. This is worked in the shore areas, where the people have summer residences where the assessor cannot check. In fact, I encourage them to take their assessment down to the shore.

MR. WILSON: I don't blame you. So do I.

CHAIRMAN DUMONT: All right, Mr. Greene.

ALFRED J. GREENE: Russ, and Senator Dumont's Committee, I just want to state that the Tax Study Committee of the State Association also undertook this study, so far as the veterans' exemption and discrimination as it exists today, and the figures you came out with are almost identical with our own. We recommend the flat dollar sum. We did not put a bill in here, because we confined our comments to A-198, but we are completely in accord with this. We do recognize that this discrimination exists in this form. It's also nice to see that you agree with us in so many other things.

MR. WILSON: We don't have many disagreements, Al. We are all in the same business.

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

Russ, I might say, too, that I was very much interested when I heard you make this suggestion about a month ago, I think, at a meeting here in Trenton in regard to the veterans' tax exemption, because if we get into countywide ratios, obviously there isn't any way we are going to be able to amend the $500 exemption that is going to make it fit with fairness to all the 21 counties. So perhaps the answer lies right here in what you suggest and what Mr. Greene says his group agrees with, of fixing a flat dollar amount, which

again, of course, would involve a constitutional amendment but at least it would provide for the same treatment to all veterans throughout the State.

MR. WILSON: This, I think, is about the simplest way and the easiest element in which we can find complete uniformity. This is one that we can really nail down.

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

DONALD T. MORRISSEY: Mr. Wilson, in connection with your reference to household goods, do you mean anything that may be in the house to be exempted, or specifically furniture that is used in the everyday operation of your home?

MR. WILSON: Well, I was referring - this was in response to Jack Connolly's question. In the first place, I would abolish household personal property tax in my own community. The question was: Are furnishings and personal effects all under the same category, and Mr. Connolly's question was if this S-9 were to pass, which leaves it with local option to retain or abolish the household personal property tax, should personal effects as such be deleted as an assessable item? And I think they should be, because I just don't see how we can ever set a pattern for the assessment of such things - for those towns which wish to retain household personal.

MR. MORRISSEY: Suppose now, in a particular house, are thousands of dollars worth of jewelry.

MR. WILSON: There might be, but how would you be sure that you had discovered them all?

MR. MORRISSEY: Well, aside from discovering it - assuming it is there. Now, if you eliminate household effects, and the jewelry and what have you are there, very valuable property is going to escape taxation.

MR. WILSON: Unquestionably. I'll go so far as to return to the old intangible tax if you want to, but that's the only basis on which you could include personal effects in my opinion. I mean, it's just as hard to discover a man's bank account or his mortgages, or the assets he might have in his safe deposit box. It's just one of those undiscoverable things, it seems to me. I don't see how it's possible to compete with it.

CHAIRMAN DUMONT: Any other questions?

Russ, is the average tax rate about $10 a hundred in the State today?

MR. WILSON: It's just about $10, I would think. Have any of the fellows from the Local Property Tax Bureau got the dope on that?

CHAIRMAN DUMONT: Mr. Kingsley, what is it?

MR. WILLIAM KINGSLEY: It's just a little under $9.00, the average rate.

MR. WILSON: Wait until you add up this year's, Bill.

MR. KINGSLEY: I'm afraid it is very possible that that rate is going to go down, as I think you have already covered in speaking of the public utility tax bill; that is, the higher that the ratios are going to go up throughout the State, there is a great possibility that the tax rate is going to go down.

CHAIRMAN DUMONT: But taking all the ratios that exist, and we have a very wide range of them, as we know, in New Jersey, the average tax rate is a little less than $9.00 today.

MR. WILSON: Therefore, that $40 to $50 range that I suggested in the veterans' exemption would be just about right. If you split it in the middle, it would be right on the button.

CHAIRMAN DUMONT: Anything more of Mr. Wilson? (No response).

Thank you very much, Russ. We appreciate your being here today and your statements.

Now, Mr. Raymond Wheeler, Collector of Haddonfield, in Camden County.

RAYMOND WHEELER: Senator Dumont and the Committee, my name is Raymond Wheeler, and I am Treasurer and Tax Collector of the Borough of Haddonfield.

We are one of the few municipalities in the State of New Jersey that is assessing at 100 per cent. As far as Haddonfield is concerned and our experience with 100 per cent in 1959, we have experienced no trouble. The people at least know the value of their properties; we have no ratios - they talk to us and say, "What is our property assessed at?" And we tell them the full value. There is no problem with a hundred per cent. I, as a tax collector, would like to see a state ratio at 100 per cent. I say the law is all right as it is. The problem with the law is that it's not enforced.

Regarding our personal property tax, from a tax collector's standpoint, I think it should be eliminated. I am opposed to Section 12 on page 6 of Senate Bill No. 9 where it gives the governing body the right to assess personal property for their own use. I question what that would do to a veteran's exemption. I don't know whether we, as a local municipality, would have the right to extend the veterans' exemption. Personal property is a nuisance to collect; it is hard to collect; your collection ratios are not too good. In Haddonfield, we are very successful with it. We are a home town, about 90 per cent owner-occupied, and the 10 per cent that owe us personal property

tax, if they are there as of the tax year, we collect it. We make no bones about it. We collect the personal property tax. So, you see that personal property tax in our town is collected. When I close my books as of 1959, I walk out of the Borough Hall and there is not one cent of delinquent taxes due the Borough of Haddonfield beyond 1959. That has been a record that has been sustained for the last ten or twelve years, including personal property. If we eliminated personal property tax in Haddonfield, we would suffer, on household furniture, understand, a loss of around $300,000 in ratables which, to me, is not too much when you consider our personal property is over three million, plus eight hundred million on business.

As far as the county ratios are concerned, I believe we should have state ratios. I think that if we had county ratios we would soon be faced with the same problem as we are today in the municipalities. We have problems with Haddonfield at 100 per cent, our sister municipalities at 25 per cent. Our veterans' exemption amounts to $11.50, and in the next municipality it's $50. We didn't experience too much of a problem with the veterans.

In Camden County there have been about ten or twelve municipalities that have spent almost half a million dollars in revaluation. There are some municipalities in Camden County that have done nothing to bring their valuations up to equalize assessments within the municipalities. That is the whole purpose of assessing - equalize assessing within your municipality. I'm not talking as an assessor. I know nothing about values; I can't assess property, but as a tax collector who handled the problems in Haddonfield when we sent out our bills at 100 per cent, I can see the advantage of an equalization

program within the municipality. We had one person in Haddonfield whose taxes were $400 in 1958 and under the revaluation program his taxes went to $1200. That person was very much upset. When I talked to him about values, I said to that particular taxpayer, "What do you think your property is worth?" He said, "I wouldn't sell it for less than $56,000." I said, "We have it assessed at $52,000. Now, what's wrong with that?" He said, "Nothing is wrong with that, but I don't want to pay $1200 taxes."

Now, that's tax lightning and that's where you get into trouble, but for the last eight years, I and a lot of other taxpayers in Haddonfield have been helping him out. We have been paying his share of taxes. I have heard talk today about if you assess at 50 per cent of value, it's much better than 100 per cent because of the fluctuation of valuations. If you have a revaluation and you value at a standard of value, your fluctuations will be the same under 50 per cent as they would be under 100 per cent.

Haddonfield, the first year, we thought we were within a hundred per cent of valuation, knowing that we did have a cushion, and the county and state ratios came out at 93.58. This year, I understand, it's going to run around almost 91 per cent. To me, I think that looks pretty good. I don't see anything wrong in that.

So, you see, in a municipality that has a revaluation, whether you use 50 per cent or 100 per cent, the shift is going to be just the same and it's going to hurt the other person just as much.

On Assembly Bill 127, I would like to see the Legislature pass that. I would like to see that become law. To me, it is

a big help especially, as I work on the SR 1's for the assessors. Our assessors are part time, and I go over most of them for them. It's a big help to me, and it would be a greater help to us if we had real values of what the person actually paid. You know stamps are not always workable.

As I get toward the end of some of the notes I made, I'm like the last fellow who was waiting to speak, and this man said, "Well, gees, it's swell that you stayed here and listened to my speech." Well, that's what I am. Russ Wilson and I have concurred in the statement that he has made. I am also a member of the Tax Policy Commission and I had notes about that, and Russ covered that very well. We have agreed on most everything that is in that. I have used up most of my notes, Senator, and you have heard from most everyone. I just wanted you to know what has happened to a municipality that did go to 100 per cent.

As I say, I am afraid of county ratios, because - and the assessors could probably tell me better - would there be a possibility of competition between the counties? I don't know. If a plant that could be built in Senator Haines' county for a million dollars and he was at 50 per cent, would there be an advantage to that plant building in Camden County if we were at 25 per cent? I don't know. I would have to ask my assessor.

Does anybody have any idea whether that would create competition that we have today? Russ?

MR. WILSON: I'll volunteer a suggestion. I don't think the competition would exist, because, under normal circumstances, it would be reflected in the tax rate.

MR. WHEELER: That's right.

MR. WILSON: And everything else being equal, that should be the case.

MR. WHEELER: O.K. Well, I want to thank you for having this opportunity to appear before you. My views are pretty well set through the State as to what I think about 100 per cent valuation. It has worked in Haddonfield.

SENATOR DUMONT: Are there any questions of Mr. Wheeler?

SENATOR HAINES: Mr. Wheeler, would you recognize that your community's problems are perhaps more simple than the problems in some other municipalities with respect to assessment?

MR. WHEELER: Yes, I would. I would recognize the fact that Haddonfield is a residential community, probably close to 90 per cent owner-occupied. I can see the problems in a city like Newark or Jersey City or Trenton, but I don't think they are insurmountable problems; I think they could be worked out.

CHAIRMAN DUMONT: Are there any other questions?

Will you identify yourself, please?

JOHN CONNOLLY: I am Mr. Connolly of South Orange.

Mr. Wheeler, you mentioned that you were in it 100 per cent and you have no problems and you have no ratios. Actually, you are in at 90 this year, according to the sales ratios. Correct?

MR. WHEELER: According to the sales ratios.

MR. CONNOLLY: The chances are you had a revaluation, I would assume, two years ago.

MR. WHEELER: Yes, in 1958.

MR. CONNOLLY: Therefore, your base year was 1958.

MR. WHEELER: Yes.

MR. CONNOLLY: Now, if a home were built today, brand new, for $10,000, the assessment would not be $10,000, would it, today? It would be based on the 1958 base year, which may be $9,000, based on this ratio.

MR. WHEELER: It would probably be.

MR. CONNOLLY: So, therefore, you are not in it 100 per cent, and you do have problems.

MR. WHEELER: We have problems as far as--

MR. CONNOLLY: Unless you use a base year.

MR. WHEELER: As far as using a base year. Well, that will happen no matter what base year you use.

MR. CONNOLLY: So, therefore, you need a base year.

MR. WHEELER: You need a base year. You have to have a base year.

MR. CONNOLLY: That's right.

MR. WHEELER: And I believe, too, that the assessment rolls should be either three or five years, whichever we believe is the right thing to freeze them, and then after maybe five years, due to economic conditions, the rolls should either go up or down, because in five years there could be some economic changes that would affect the values of the properties. I know in ten or eleven years there was quite an effect on my own property. I bought the house for $3800, and, today, I have offers of twelve or thirteen thousand for it. So economic conditions should control the revaluation or the reconsideration of a base year.

MR. CONNOLLY: Well, the only reason I, personally, would be opposed to 100 per cent is if you had a dip in any one year, you would actually be in over 100 per cent on value, and you would have to change your complete roll in that one year. So, therefore, if you picked a ratio of 50 or under, you would have quite a cushion on any drop, and the chances are it wouldn't drop 50 per cent within an eight or a ten-year period. So you would always be under 100 per cent.

MR. WHEELER: Well, as I say, I'm not an assessor. You fellows know more about that, but if you have a revaluation and you use 50 per cent, I can't see why the same effect wouldn't happen at 50 per cent as would happen at 100. Wouldn't it? Do you understand my question?

MR. CONNOLLY: Yes, I do. It would happen on the base itself.

MR. WHEELER: Why?

MR. CONNOLLY: It would, that's right. You would still be using that base.

MR. WHEELER: You would still be using the base, and if you had it at 100 per cent, as we have, and you went to 50 per cent, if there was a fluctuation of an economic condition, it would affect the 50 per cent the same as it would affect our hundred per cent.

MR. CONNOLLY: I believe you are right. I withdraw my objection to that.

MR. WHEELER: Understand me, who sits in a tax office all day long and meets the public, I think that what we should do with legislation on taxes in New Jersey is to make it plain so that John Q. Public can understand it and know what we are talking about. I had dozens and even hundreds of people come in on this revaluation at 100 per cent, and I had no problem with them at all. I would say, "What do you think your property is worth?" And they would tell me, and we did have about 180 appeals. Ten or twenty of them failed to pursue them. There were 70 adjustments. Now, of the ones who came into the office to discuss it with me, I was able to smooth over 200 of them without any problem, as soon as I said, "What do you think the value of your property is." And there

it is right on our tax rolls. You can look at it. You can look at your neighbor and see what your neighbor is. Whereas, if you deal with percentages, the taxpayer is lost. It's like opening up the abstract of ratables to them. They don't know what it's all about, so they look at it and say, "Yes, I understand," and walk away. That's what happens with percentages. If a property in Haddonfield is assessed at $10,000 and they pay at the rate of $2.30, they would pay no more money if that same property was assessed at $2500 and the rate was $9.20, and it's much easier for me, the tax collector, to say, "Your property is worth $10,000" - not that your property is assessed at $2500 and we have to multiply it by four before we get the value. I try for simplicity, and I think that that's what we should do. And I don't think that you as legislators should accept a half a bill if you are not satisfied or if you believe in your own heart that state ratios are the thing to have, - I don't think we should accept county ratios. I think we should stick with state ratios if you believe that is what we should have.

I think one of our troubles, even in a municipality, is that you do things and you think, "Well, only half a loaf is better than none." I don't agree with that. I absolutely don't agree.

We had a meeting the other night at the Borough Hall. We had three or four ordinances and one person came in and objected to a heating code, and the Commissioners have postponed the hearing. I don't think that was right. One person out of 13,000 in our municipality or borough came in and objected to it. Now, if there had been three or four hundred people had come in and objected to that heating code, I would have said, "Yes, let's consider it," but not one person. It was

advertised. So they postpone it. To me, I think it was wrong, and I told them it was wrong. I don't think they should have postponed it. I think if they felt that that was the right legislation for Haddonfield, they should have passed it. And I think that's what we are faced with here. I know we have problems in our various counties, but piecemeal legislation to me never works.

CHAIRMAN DUMONT: Edward Markowich, Assessor from Cranford.

MR. MARKOWICH: Mr. Wheeler, is your personal property assessed for 100 per cent?

MR. WHEELER: Well, now, that's another question. We need another Ridgefield Park. That's why I would like to see us do away with household personal property.

MR. MARKOWICH: Business personal, is that 100 per cent?

MR. WHEELER: You would have to talk to the assessors on business personal. They use a different formula on that. I don't know what they have that assessed at. They have taken the business personalty and went down and gave us different figures, but on the household personal there is no rhyme or reason for it. They take 5 per cent of the improvement assessment and they say, "That's your personal property." So, you see, to me, household personal is --

MR. MARKOWICH: Well, you are discriminating, then, in other words.

MR. WHEELER: Well, if you want to call it that.

MR. MARKOWICH: Well, you just told us that the 100 per cent creates no problem. Try putting 100 per cent on industrial personal property and see if you don't have problems.

MR. WHEELER: I believe this, that business personal property was nearer assessed properly than the real estate.

MR. MARKOWICH: It was?

MR. WHEELER: I would think so.

MR. MARKOWICH: On book value?

MR. WHEELER: I would think that they were closer; I don't know; I'm not an assessor; I couldn't tell you.

CHAIRMAN DUMONT: Mr. Weiler?

MR.WEILER: Don't you believe, not knowing too much about it, that there isn't any business personalty or household personalty assessed at 100 per cent in the State of New Jersey?

MR. WHEELER: Oh, I agree with that. I agree that in any municipality it is not assessed at 100 per cent.

MR. WEILER: I think that's true.

MR. MARKOWICH: But the point is that we are trying to establish something that is going to be equitable. What are we going to do with business personal? Are we going to put it on a hundred per cent or on a ratio?

MR. WHEELER: Well, I'm not an assessor. Do you want my opinion on business personal after sitting here for two days? It's a bad tax, and I think we ought to find another base for a tax on business property, because no one here, and you fellows are the experts, not me, on assessing, and you can't agree, so how can a lowly tax collector agree? I've heard arguments from the Chamber of Commerce, the railroads, the assessors - now, just as an ordinary tax collector and a citizen, I think it's a joke all the way down the line, and I think we should find a new base for it, for a tax.

MR. MARKOWICH: Well, my point in asking the question is that business personal property is just as much a problem as real estate.

MR. WHEELER: We could do away with that.

MR. MARKOWICH: You're solving the real estate problem by going to a hundred percent. I have no objection to it, but what is your solution for business personal property?

MR. WHEELER: I don't think the business personal property tax is equitable either. I think we should find another base for it. That's my opinion.

CHAIRMAN DUMONT: Mr. Morrissey?

MR. MORRISSEY: Do you assess business personal property in Haddonfield?

MR. WHEELER: Oh, yes. The assessors attempt it, let's put it that way.

MR. MORRISSEY: To what extent?

MR. WHEELER: Well, that's something you would have to ask them. They tell me on the abstract of ratables, it's worth about $800,000 - they have it assessed at, and we do not have too big a business area in Haddonfield. Our business area runs about two and a half blocks - stores. The rest is residential. On our residential personal property, we have some $2,800,000.

MR. MORRISSEY: Did I understand you to say that you collected 100 per cent of the tax levied?

MR. WHEELER: No. Let me correct that. We collected 100 per cent of the real estate levy, and the only personal property taxes that I lose are those who steal out in the night that the cops can't catch up with. Otherwise, we get it, but there are ones - for instance, somebody might owe us twenty-five or thirty dollars and they move to North Jersey. Well, it's simple to try to collect that, but with the enforcement of our moving ordinance we are fairly successful on collecting our personal property tax, as long as the police

watch it. They are very good on businesses, they don't have any trouble on that at all, but on household furniture once in a while one of them gets away from us. I think last year, out of the whole levy of personal property, there was about $350 skipped out of town on us.

MR. MORRISSEY: Do you have a moving permit?

MR. WHEELER: Yes, we do.

MR. MORRISSEY: Did you ever go after any of them?

MR. WHEELER: In the municipality.

MR. MORRISSEY: Any other way?

MR. WHEELER: No, I have never gone out of the municipality, no. I don't think it's practical, but in the municipality they have tried to move at night and the police have called me up, and I have said, "Well, I'm not coming down. Tell them to put the furniture back in and I'll be there tomorrow morning."

MR. MORRISSEY: You say the household tax is a bad tax and ought to be repealed. Do you have any substitute to offer for it?

MR. WHEELER: Well, in our municipality, the shift would be very little. As far as I'm concerned, I have a $500 personal property tax on my tax bill. If that went over into either real estate or went up into a tax rate, it wouldn't make any difference to me. I wouldn't pay any more taxes. Our shift would be very light, outside of tenants; it would amount to, in the Borough of Haddonfield, something like $9,000 if we did not assess tenants.

MR. MORRISSEY: Would you be in favor of transaction tax to overcome the loss in business tax if it was eliminated on goods?

MR. WHEELER: Sure. I would be in favor of any tax that would eliminate the personal property tax even on business, because, as I have heard, these days it seems to be an almost impossible task.

MR. MORRISSEY: We got some support here today, I can see that.

CHAIRMAN DUMONT: Any other questions of Mr. Wheeler?

Ray, I might say that I got, as I remember, one letter recently from a resident of your community, and I think both he and his wife were veterans and they were asking why their exemption had gone down so much, or why they were getting only $11 off, or something like that.

MR. WHEELER: Well, that's the reason for it. We have tried - of course, there is one thing that I have tried to explain to the veterans. Under our old system, in 1958 we had to load 40¢ into the tax rate to give the veterans their exemption. Now, this year, we only had to load 10¢ in, so they haven't lost the whole works. The tax rate has been adjusted with it, but it's awful hard to adjust that with them, but some of them understand it.

CHAIRMAN DUMONT: Are you in favor of the same ratio throughout for both real and personal property as has been advanced by a lot of the assessors today?

MR. WHEELER: Yes, if we have the same ratio for all.

CHAIRMAN DUMONT: I mean, the same ratio for both personal property and real property.

MR. WHEELER: Yes. I would go along with that.

CHAIRMAN DUMONT: Well, as a matter of fact, being at 100 per cent, you are satisfied, I take it, with the present law. Is that correct?

MR. WHEELER: Sure. I'm satisfied with 100 per cent. The only adjustment is in your personal property, provided you equalize assessments within your municipality, which I think is necessary.

CHAIRMAN DUMONT: By a revaluation.

MR. WHEELER: By revaluation.

CHAIRMAN DUMONT: Thank you very much. We appreciate your being here.

RAYMOND BURK: Mr. Chairman, I have a question.

MR. WHEELER: That's my next-door neighbor.

MR. BURK: My name is Raymond Burke, President of the Board of Assessors of Collingswood. Mr. Wheeler made a remark about his neighboring community. I would like to get clear on the record whether he meant Haddon Township or Collingswood.

MR. WHEELER: Well, now, our neighboring community - well, Haddon Township and Delaware Township are right around me there.

MR. BURK: Because we had a revaluation program, and it goes on the books for 1960.

MR. WHEELER: Yes, I understand that, Ray. You're one of the 10 or 11 in Camden County that did spend some money and did have a revaluation.

CHAIRMAN DUMONT: All right. Thank you very much.

Mr. Donald Morrissey, of Trenton.

MR. MORRISSEY: Members of the Committee, I speak as an individual. I express no views of my city other than my own. I am interested in tax reform. Assembly Bill 350 appeared to me to be a very good bill. The tools in it give the assessors an opportunity to deal in a broader way in arriving at fair

assessment.

I am in favor of establishment in this State of a system of a maximum tax rate. I believe that there is no solution to our tax ills without the establishment of a maximum tax rate.

The ratio of property - I am in favor of a 50 per cent throughout the county.

Now everybody seems to be represented here today - the railroads, the business people, other than the small homeowner. He seems to be forgotten in the whirl of this legislative hearing.

With an unlimited tax rate, the power lies with the government to actually, over a course of time, to confiscate his property especially when he's in need as a result of unemployment. I would suggest substitutes to try to transfer a part of the burden that is now on the back of the real estate owner to some other forms of taxation through the medium of a limited tax rate, Number One. A transaction tax to apply on all business, both at the wholesale and retail levels; a head tax - politically this may be unwise, but I'm going to let it go - a head tax to apply to all citizens above the age 18.

The veterans' exemption. It has been brought out here that it's more valuable in one community than in another, due to the rising tax rates. I would suggest a flat $25 to apply in all communities.

Now, in the sale of real estate - copy of all agreements to be filed with the County Clerk and with the City Clerk. A transaction tax of two per cent on all sales.

And last, but not least, a tax exemption for our citizens over 65. If it's good for one, it's good for another.

Thank you.

CHAIRMAN DUMONT: Any questions of Mr. Morrissey?

How much of an exemption do you have in mind for the senior citizens?

MR. MORRISSEY: I would feel as though they are entitled to at least $1,000.

SENATOR HAINES: $1,000 on the assessment?

MR. MORRISSEY: No, on the value, an exemption of $1,000 on the value.

SENATOR HAINES: The full value of their property?

MR. MORRISSEY: That's right.

SENATOR HAINES: That is irrespective of what the assessment ratio is in the municipality?

MR. MORRISSEY: Yes.

ASSEMBLYMAN FARRINGTON: Well, Mr. Morrissey, isn't that inconsistent with your suggestion that the veterans' exemption ought to be a flat rate?

MR. MORRISSEY: Well, it is. It is.

ASSEMBLYMAN FARRINGTON: How would you propose going about establishing a maximum tax rate, and something has to give - either the assessment, the rate, or the--

MR. MORRISSEY: Well, this is what would give: Those communities that have to operate within the framework of their total values times their tax rate. Those who could not would have two choices - either cut down the cost of operation or be annexed to other communities. We have watched the school tax going up each year to the point where there is no limit. There is no limit to the county spending. What chance has a person got who happens to own a home if we don't put the brakes on somewhere.

CHAIRMAN DUMONT: Any further questions? (No response)

I guess that's all. Thank you very much, Mr. Morrissey.

Are there any other witnesses who desire to testify? That completes the list. Mr. Becker?

FLOYD BECKER: I am Floyd Becker, Roseland, New Jersey, dairy farmer, representing a small group of independent farmers.

Sometimes I think a lot of these tax laws were made a hundred or more years ago. Sometimes it reminds me of taking a team of horses with a load of hay and putting them on the Turnpike. I mean, that's the background as you hear this testimony conflicting.

Now, in the agricultural end, which you don't hear much of because the average farmer doesn't want to come down here - he'll growl, but you try to get him here, he doesn't want to come. But from Cape May to the New York State line, there are thousands and thousands of farmers where the farms are dovetailed into suburban developments. It's a situation in the suburban development that did not exist when our present laws were made. Years ago, at the city line you generally went into the rural area, and naturally your tax laws covered the rural areas, or they called it rural land, but the new look in the Tax Manual here, issued by the State Property Tax Bureau, goes into "Ruban."

To simplify that, I think that the regulations should classify where agriculture is actively engaged in; you should simplify this thing and instead of saying "rural lands," "ruban lands," suburban lands" - eliminate that and substitute the words "farm land." It's a simple thing - substitute for all these confusing names, the words "farm land." That's Number One.

Number Two - Some regulation enabling planning boards, zoning boards, assessors, or other governing bodies to classify

a given piece of land as agriculture or farm land. That's Number Two.

I know I've talked to people out in the halls here once in a while last spring, and they say, "Well, sell your farm." A farmer can't get up and sell his two hundred, five hundred, or six hundred, or thirty, forty, or fifty acres, over night; he can't do that as easy as he can sell a house or a factory. If you did move back 20 miles or 30 miles or 40 miles, you wake up some morning and there's an industry alongside of you and there's a development on the other side of you. What is he going to do - keep pushing and pushing and pushing? This situation you are going to face always from now on, with the new roads and the high speed. I know a place in Long Valley today where a farmer was right next to a large industrial building and now they want to raise his taxes. Well, why should that man have to pay more taxes just because there is an industry alongside of him? He can move back, and then some morning he will wake up and there's a new highway through the middle of his farm, which he doesn't want. Those things are very aggravating, they are disrupting, and they are not good for the State of New Jersey.

Agriculture, as you know, is classified separately by the United States Government, and we feel that there should be some revision and make it simple for the assessor to say, "That's farm land, it's been farmed for 20 years or 30 years, it's been actively growing crops." He should be able to have that in a classification of its own. I know they say, "Well, don't have classification." You turn to pages 36 and 37 in this manual that is issued by the Local Property Tax Bureau and it's full of classifications - urban, ruban, rural, and

all this sort of stuff. We are not asking for any subsidy. We don't object to the cities getting subsidies from the Federal Government and not paying any taxes. We don't object to that. It's simply something that we feel should be thought over in this revision of taxes. So if it was labeled farm land or agriculture, providing it was used for tilling the soil and growing crops - all right, label it what it is, not ruban or rural. When the laws were made, yes, because when you got outside the city it was rural; today, no, and it never will be, and you will continually have this problem.

We favor S-1. Of course, we would like 30 or 40 per cent as the Princeton Surveys recommended. We favor statewide assessment ratio instead of countywide, and we favor the use of the words "farm land" in place of rural lands and ruban lands because conditions are so different than they were a hundred years ago.

The planning boards, zoning boards, assessors, and other governing bodies should be enabled to classify farm land as farm land. The State of Connecticut, the State of Maryland, and the State of Delaware are running into these same problems on agriculture and they are working today to give agriculture a category of itself and, where it is actively farmed, to get some relief from taxation.

Some people say, "Well, yes, the farmer's home, the farmer's house, and an acre of ground should be classed as any other residence." But some people say, "Well, we're comparing this and comparing that." To my mind and the minds of other farmers, there aren't enough words in the English language to compare agriculture with business, industry, and all of that; there

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is no comparison. The farmer with 600 acres of land may not make as much as an industry on 5 acres of land, and there are a lot of instances of farmers all down the line, in certain sections - they are isolated - where, I know one farmer who is paying 20 per cent of the school tax and he's only got three kids, which is less than one-half of one per cent going. Well, he don't object to that, but when they start raising his taxes up to almost industry, he does object. And I think he's right.

There are certain natural laws in the world today, and there always were, with a big capital "N," in regards to health, what you eat, the growing crops, and a lot of other things, even as to finance. There are certain natural laws, and if we don't try to go along with those natural laws, we get into trouble, we get into confusion, we get into disruption, and a lot of other things.

And another thing: Taxes today are the farmer's chief competitor. When I say that taxes are the farmer's chief competitor, I mean just that. It's gotten to a point where - you take up in Sussex County, the farms up there - if you go over the line to New York State, the farmer there has an advantage because he has lower farm taxes.

So we can go on and on, and I think the hearing masters and the Senate and the Assembly have used unprecedented patience on this line, but it isn't their fault. It's the old laws. The Constitution, I can't go into because I don't know enough about it, but it may be, and this is only my opinion, that we may have to go along with something and get something done, and later on see where the Constitution has to be amended up to the present status, because, so far as farming is concerned,

the whole setup, and the suburban lands, we'll always have that, because the way things are today, you go back twenty miles, you go back thirty miles, and you might wake up in the morning and there's a factory over here and there's a development over there. You can't pick up three or four hundred acres of land and sell it and go somewhere else. It isn't in harmony with the natural laws of life.

I don't know of anything else here. If there are any questions, I would like to have them shot right at me right here.

CHAIRMAN DUMONT: Are there any questions of Mr. Becker?

MR. BECKER: There's an old saying that "Gold may be the life blood of the land, but agriculture is its heart and soul."

SENATOR HAINES: This isn't in the attitude of shooting anything at you, I wouldn't want to do that, but I just wanted to ask you: With respect to two of these bills which are being seriously considered, Senate 9 and Assembly Bill 198, there is a provision in those two bills which says this: "In the assessment of acreage which is actively devoted to agricultural use, it shall be presumed,... that there was not in fact a market for the bona fide sale thereof by private contract except for agricultural purposes." Now, the idea of that, as I understand it, is to protect agriculture, land in use for agricultural purposes, against the sort of thing that you appear to be concerned about and afraid of. Were you conscious of the fact that that provision was in these two bills?

MR. BECKER: I didn't know that that was in the--

SENATOR HAINES: I think you can take a lot of comfort in the fact that that wording is in there, and it doesn't use the words "urban," or "ruban," or anything of that kind; it spells

out the word "agriculture."

MR. BECKER: Well, that's good. Agriculture is better than all these other names. Rural lands years ago - you had a different concept of the whole thing.

SENATOR HAINES: Yes. I think you can take some comfort from the fact that it is in here.

MR. BECKER: Well, may I ask you a question? Does that compare favorably with S-1? How does that read?

SENATOR HAINES: Well, the intent, I believe, is the same, and if I'm wrong, Senator Dumont may correct me, because he knows more about this than I do, but it says here in S-1: "In the assessment of acreage which is actively devoted to agricultural use, such value shall not be deemed to include future value for subdivisions or nonagricultural use." I would say the intent is the same, would you not, Senator?

CHAIRMAN DUMONT: Well, I think the only distinction, Mr. Becker, is that in Senate 1, the language which we adopted last year and put in S-81 is very definite language; it doesn't talk about any rebuttable presumption, which is true of Senate 9 and Assembly 198. It is true there that they say - there is a presumption that the assessment of farm land in active agricultural use will not include nonagricultural use, building subdivisions, industrial sites, etc. But it also says that presumption can be rebutted by clear proof. Therefore, we don't put into Senate 1 at all anything about a rebuttable presumption; we just say that such value shall not be deemed to include future value for subdivisions or nonagricultural use. We don't put it into the realm of a presumption in favor of the farmer which can be rebutted by clear proof on the part of the assessor. Even if he brings in clear proof, under the

language of Senate 1, there isn't any question about a presumption in the first place - land shall not be deemed to include future value for subdivisions or building or industrial sites, whatever it may be. In other words, it is mandatory language, whereas in the other bills it is a presumption which can be rebutted by the assessor.

MR. BECKER: Well, we had a meeting of a group of about 14 of us the other day - well, it was last week - and they all favored S-1. Now, this is nothing against you. I am speaking now as to how the majority of us felt, and I felt along the same line. Some of these fellows were a little better lawyers than I was, or am, because I'm no lawyer at all. The older I get, I find the less I know. I would rather stick to S-1 and the rest of them were all in favor of that, and I think I would rather stick to that if it's all right with you.

Now, are there any other questions?

CHAIRMAN DUMONT: Any further questions of Mr. Becker? (No response).

Thank you very much for coming over.

Now we have here a statement by Mr. Alfred Weiler, Assessor of Maplewood.

Do you want to comment on this, Mr. Weiler, or just have it entered in the record?

MR. WEILER: Just enter it in the record.

CHAIRMAN DUMONT: All right. Is there anybody here now from the National Automatic Merchandising Association? Apparently not.

There are two resolutions here to be entered in the record, one from the Borough of Emerson in Bergen County, and the other from the Township of South Hackensack in Bergen County, both

of them calling for exemption from assessment of all household furniture and personal effects. These resolutions, I think, are identical, and we will probably get more of these from Bergen County in view of the Ridgefield Park case, because they both refer to that. I will ask that they be included in the record. Then we have a letter from the City of Bayonne, from the Mayor, Alfred Brady, which has to do with the report of the study on the effect of including certain public utility personal property valuations in the county tax base. He asks that this report be included as a part of the record, and it will be so included.

If there is no one else who desires to testify, I think that that winds up the hearing, and I want to thank everyone who came either for testimony or for listening, and we appreciate your suggestions and recommendations and will now take them under consideration.

The hearing is adjourned.

STATEMENT OF A. E. WEILER, ASSESSOR OF MAPLEWOOD, N.J.
at
HEARING ON ASSESSMENT & TAXATION BILLS
ASSEMBLY CHAMBERS
TRENTON, NEW JERSEY.

Wed. March 2, 1960.

Almost two years have elapsed since an attempt was made by the Senate Committee on Revision and Amendment of Laws to change the true value clause of the statute. During this period every conceivable organization has presented their case. The thoughts of the representatives of these have merit, but, not to be outdone, I too feel a need to add to the confusion. I warn you, my thoughts will not bring forth "pearls of wisdom." I represent no one, and am interested only in a practical approach to the assessor's problem.

The Courts of our State in each decision made in the past five years have insisted that "the assessor shall value property as he believes it would sell for on October 1st, prior to the tax year." (Title 54:4-23) Only in rare instances has this been done.

Instead of compelling the assessor to proceed in a manner which he has violated for years, this Committee and others have submitted 40% of true value bills; 50% of true value; a new description of true value; increases in veteran's exemptions; household property exemptions; old age exemptions; freeholder ratios for each county and classification of real property plus the added confusion of the 1960 bills. These I have not read.

Practical experience admonishes us that the seeking of true value is not a pure science; we do not deal with mathematical

certainties, but with the whims and caprices of people and our tests of value deal primarily with sales. The contractor who is desirous of keeping his organization together may sign a contract for considerably less than he who has plenty of work ahead. This may increase the confusion of true value. In a "fluttering" market an owner may reduce the rent of a tenant whose lease expires, others may be increased. Either case has its pitfalls for the assessor. The pattern is akin to an ebb and flood tide. The mean is true value, but in valuation and equalization the ebb and flood form an integral part. From this analysis, true value merits a range; that range between ninety and one hundred and ten percent. Our statute should be amended to this extent - not more nor less.

Veteran's exemptions were not set up on a legislative intent that in one municipality the benefits received should be one hundred fifty ($150.) dollars, and in another, fifteen($15.00) dollars with tax rates of thirty and three dollars respectively on a $10,000 property. If the veteran loses by virtue of true value assessments, it is because the assessor has subsidized part of his tax bill over the years. The legislature could only consider true value when the original exemption law was passed.

The railroads have their problems, so have we all. If I believe my assessment too high, my recourse is through the County and State Boards or the Courts. I must submit an appraisal to show the value of the property. The railroads have been remiss in this approach except in Hudson County. Greater cooperative effort on the part of the assessors, the State and these taxpayers are necessary. Greater understanding and better public relations

are needed in this phase of taxation.

The bonded indebtedness law should be amended. This Committee is fully cognizant of its perils.

The freeholder ratio bill for each county is weak. An assessment foundation of true value has been established, keep it. Only with this approach can we expect to solve our problem efficiently, properly and immediately.

Classification of property has no place in our system. Lets get the true picture before we make radical changes. Many municipalities have created benefits for certain classes. In others they have been penalized with excessive taxation.

Article IV, Section 7, Paragraph 12, of the Constitution, as amended in 1875, provided that "property shall be assessed for taxes under general laws, and by uniform rules, according to its true value." (Title 54:4-23.) "The assessor shall **** determine the full and fair value of each parcel of real property situate in the taxing district at such price as in his judgment it would sell for/at a fair and bona fide sale by private contract on October 1st next preceeding the date on which the assessor shall complete his assessments, as hereinafter required." The Constitution of 1875 confirms the statute and vice versa. Unfortunately, the constitutional amendment of 1947 dropped the true value clause.

True value, forty, fifty, or any other percent will not affect any tax bill. Those towns who have had revaluations and are assessing at true value appear to be satisfied. It gives the owner a ready means of comparison. Obviously, it has affected the tax rate, but comparisons can easily be made within the town, within the counties or State.

Aside from true value and the prior suggested amendment, some mandatory laws should be passed.

1. The assessor should be compelled to assess at true value. With sales reflecting a yearly average, each municipality can be easily checked. If the assessments should remain inconsistent with true value, the municipality should be compelled to immediately have a revaluation by an outside professional group.

2. It should be mandatory that the revaluation of any municipality be maintained for a period of three years after revaluation, so further changes may be made by the revaluation firm. A better confirmation of value is reflected from a study of later sales.

3. Only the sizes and values of land, addition of improvements, new properties or changes in economic conditions should be required after a program has been properly maintained for a three year period, unless discrepancies creep in as noted in paragraph one.

4. It should be mandatory for each municipality to have a tax map prepared within five years and this map should be maintained yearly by a New Jersey licensed land surveyor.

5. Revaluation companies should be licensed and bonded by the State at their expense.

In conclusion, it is my hope that the "true value" clause will remain. If it must be qualified with the term of "market value" there is no serious objection, but it should not be confused with a lot of qualifications or definitions as how it shall be determined. Any educated appraiser is aware of the approaches required and if he does not, he should seek another profession.

The assessors of the State of New Jersey have no easy road. They are presently floundering in a maze of local and county pressures. They look to this Committee to clear up a chaotic situation and are certain yours will be a prompt and intelligent decision.

RESOLUTION

WHEREAS, the Supreme Court of New Jersey, on January 25, 1960, in the case of the Village of Ridgefield Park, et als, vs. the Bergen County Board of Taxation, et als, held that the Assessors of the several municipalities in New Jersey are required to assess, for tax purposes, all tangible personal property, including household furniture and personal effects, at their true or 100% value, and

WHEREAS, for many years past many municipal assessors in New Jersey have either totally exempted from valuation for tax purposes all household furniture and personal effects or have levied only a nominal assessment on the same, and

WHEREAS, the assessment at this time of such household furniture and personal effects on the same basis as real estate, as required by the Supreme Court, would result in the imposition of a substantial new and additional tax on every household, with a corresponding decrease to the benefit of the owners of other classes of property;

THEREFORE, BE IT RESOLVED by the governing body of the Township of South Hackensack that the Governor and the Members of the Legislature be and they are hereby respectfully petitioned to amend the Tax Law of New Jersey in order to exempt from assessment for taxation all household furniture and personal effects.

Edward J Perfetto

EDWARD J. PERFETTO,
Township Clerk

February 18, 1960

Introduced by Councilman V. I. Newman
Seconded by Councilman W. F. McVey

RESOLUTION 88-60

WHEREAS, the Supreme Court of New Jersey, on January 25, 1960, in the case of the Village of Ridgefield Park, et als, vs. the Bergen County Board of Taxation, et als, held that the Assessors of the several municipalities in New Jersey are required to assess, for tax purposes, all tangible personal property, including household furniture and personal effects, at their true value or 100% value, and

WHEREAS, for many years past many municipal assessors in New Jersey have either totally exempted from valuation for tax purposes all household furniture and personal effects or have levied only a nominal assessment on the same, and

WHEREAS, the assessment at this time of such household furniture and personal effects on the same basis as real estate, as required by the Supreme Court, would result in the imposition of a substantial new and additional tax on every household, with a corresponding decrease to the benefit of the owners of other classes of property;

THEREFORE, BE IT RESOLVED by the governing body of the Borough of Emerson that the Governor and the Members of the Legislature be and they are hereby respectfully petitioned to amend the Tax Law of New Jersey in order to exempt from assessment for taxation all household furniture and personal effects.

BE IT FURTHER RESOLVED, that a copy of this Resolution be sent to Governor Robert B. Meyner, Senator Wayne Dumont, Jr., State Senator Walter H. Jones, and the Assembly members from Bergen County.

This is to certify that the foregoing is a true and exact copy of Resolution adopted at meeting of the Mayor and Council held Feb. 23, 1960.

/s/ Michael D. Franco, Borough Clerk

SUBMITTED BY MAYOR ALFRED BRADY, CITY OF BAYONNE

The City of Bayonne has been paying an exhorbitant share of the Hudson County expenses for many years. For 1959 our people, business and industry paid $123,000. more than our fair share of County expenses. This amount, nearly $1.00 in our tax rate, is in addition to the already excessive money which Hudson County extracts from its communities on account of its high expenditure.

Ten of the twelve cities in Hudson are adversely affected by the inadequate law controlling the apportionment of county expenses among its cities. They are shown with the approximate amounts of over-payments based on the Hudson County's 1959 budget in Table 1.

Table 1.

Bayonne	$123,000.
East Newark	3,000.
Guttenberg	7,000.
Hoboken	34,000.
Jersey City	69,000.
North Bergen	60,000.
Secaucus	27,000.
Union City	48,000.
Weehawken	30,000.
West New York	39,000.

All above cities have been paying similar amounts toward past county budgets and will continue to pay an excessive share in future county budgets until corrective legislation relieves the situation.

Other communities throughout New Jersey are similarly affected by the unfair apportionment of their county taxes.

The facts that reveal the inequities are as follows:

Many years ago the personal property owned by Public Service Electric and Gas Company and Public Service Coordinated Transport was assessed by the local assessor in the district where the property was located. These assessments were included in the county tax base, together with all other assessments and the county tax was apportioned on the combined tax base.

The Legislature subsequently removed the Public Service personal property from the jurisdiction of the local assessors and caused them to be evaluated in accordance with a formula developed by the State. A five percent Gross Receipts Tax was levied on the sales of the Public Service products and the money resulting from this tax was distributed among the taxing districts in proportion to the Public Service personal valuations in the districts as established by the State formula.

Although the method of assessing was changed, the valuations established by the State formula were still included in the county tax base for many years. Later the Public Service personal property assessments were removed from the County Tax Base by the Legislature. Thus the money resulting from the Gross Receipts Tax now enters the treasuries of the municipalities "in lieu of taxes", the result being that county taxes are not equitably apportioned among the municipalities.

The amounts received by Hudson County municipalities from the Gross Receipts Tax in 1959 and the corresponding valuations on which the tax was apportioned is given in Table 2.

Table 2.

Taxing District	Amt. of Gross Receipts Tax received "in lieu of tax".	Valuation of Personal Property on which the tax is apportioned.
Bayonne	$ 138,607.	$ 2,133,823.
East Newark	5,188.	80,941.
Guttenberg	9,967.	155,127.
Harrison	1,020,969.	15,861,545.
Hoboken	154,907.	2,394,296.
Jersey City	1,931,830.	29,912,927.
Kearny	2,149,105.	33,388,485.
North Bergen	175,654.	2,616.887.
Secaucus	45,109.	606,000.
Union City	98,284.	1,557,668.
Weehawken	25,716.	411,204.
West New York	76,915.	1,203,825.
	$5,832,251.	$90,322,728.

The computation of the share of county tax which a city pays starts with the determination of Column 11 in the County Abstract of Ratables. This is the city's equalized valuations of privately owned real property plus the personal property assessment plus the second class railroad property, less the veterans exemptions. A ratio of this sum to the total for the county establishes the percentage of the County tax total for which a city is liable. Statutory adjustments are then made to determine the actual amount of money which the city pays to the county.

Table 3 shows how these amounts are determined for the taxing districts in Hudson County. Bayonne, by way of explanation, has an equalized value of $245,698,866. on which its county tax for 1959

is presently apportioned. The ratio formed by this amount divided by $1,866,729,708. for the whole county amounts to 13.1620%. When this percentage is applied to the total amount of money to be raised by taxation for county purposes it gives Bayonne's share before it is modified by statutory adjustments.

If we include the $2,133,823. valuation of the personal property owned by Public Service Companies in Bayonne with the $245,698,866. defined above, we get a new equalized value in Column 11 County Abstract of Ratables of $247,832,689. for Bayonne. Repeating this procedure for each municipality gives revised equalized values and a revised total for the County. A new ratio would be determined for Bayonne by dividing the revised equalization amount by the revised total for the county of $1,957,052,436. The new ratio would be 12.6636%. There is a difference of 0.4984% between the present and the revised ratios. This is only a fraction of one percent, but when it is applied to the extremely high county tax budget, the money it represents is $123,687. based on 1959 county requirements. If the inequity is corrected Bayonne will pay about $123,687. less to the County than it does now.

The effect on each City's contribution to Hudson County is shown in Table 3.

A study of the inequitable effect of excluding from the county tax apportionment base the money received by a taxing district from the Gross Receipts Tax and also the Franchise Tax has been completed. The actual valuations within each taxing district on which the Franchise and Gross Receipts Taxes are distributed were not available, in a form suitable for this presentation so a substitute method was devised. The total amounts of actual money received as a district's share of the Gross Receipts Tax and Franchise Tax was converted

to a Putative or Assumed Assessment by the application of the local tax rate to the money received. This provides an assessment figure comparable to an assessment on ordinary property. The assessment so obtained was added to the equalized value on which County Taxes are apportioned and a new equalized value obtained. The same procedure was followed in determining the gain or loss to each taxing district as was followed in the explanation using the Gross Receipts Valuations alone for Hudson County.

No reasonable explanation has been advanced that will excuse the continuance of this unfair practice. The personal property owned by the Public Service Utility (for example) is similar to that owned by Telephone Utilities and other private industries which is included in the county tax apportionment base. It is the same kind of personal property that was formerly included in the County Tax Base.

No accepted philosophy of taxation provides for a situation within a county wherein certain communities receive such a large sum of money each year because of the Utilities' personal property being located within their districts and not be required to bear their fair share of county expense on the basis of this source of revenue.

Correction of the inequities exposed by this study may be made by amendment to the law controlling the apportionment of county taxes.

The amendment should be developed in the State Tax Department and expedited so as to be effective during the year 1960.

HUDSON COUNTY BASED ON GROSS RECEIPTS TAX ONLY

1958 RECORD

TABLE 3

HUDSON

TAXING DISTRICT	Equalized Value on which County Tax is now Apportioned	% County Tax Paid 1959	Gross Receipts 1959 Valuation	New Equalized Value incl. Gross Receipts Valuation	New % County Tax	% More	% Less	Amt. More	Amt. Less
BAYONNE	245,698,866	13.1620	2,133,823	247,832,689	12.6636	-	.4984	-	$123,687
EAST NEWARK	6,414,598	.3436	80,941	6,495,539	.3319	-	.0117	-	2,904
GUTTENBERG	14,640,163	.7843	155,127	14,795,290	.7560	-	.0283	-	7,023
HARRISON	71,745,880	3.8434	15,861,545	87,607,425	4.4765	.6331	-	$157,116	-
HOBOKEN	105,009,109	5.6253	2,394,296	107,403,405	5.4880	-	.1373	-	34,074
JERSEY CITY	730,650,279	39.1407	29,912,927	760,563,206	38.8627	-	.2780	-	68,991
KEARNY	226,361,326	12.1261	33,388,485	259,749,811	13.2725	1.1464	-	284,501	-
NORTH BERGEN	152,325,258	8.1600	2,616,887	154,942,145	7.9171	-	.2429	-	60,280
SECAUCUS	57,014,978	3.0543	606,000	57,620,978	2.9443	-	.1100	-	27,299
UNION CITY	110,623,211	5.9260	1,557,668	112,180,879	5.7321	-	.1939	-	48,120
WEEHAWKEN	58,314,336	3.1239	411,204	58,725,540	3.0007	-	.1232	-	30,574
WEST NEW YORK	87,931,704	4.7105	1,203,825	89,135,529	4.5546	-	.1559	-	38,690
	1,866,729,708		90,322,723	1,957,052,436		1.7795	1.7795	$441,617	$441,642

In the years previous to and including 1937, Column #13 in the "Table of Aggregates for the County" covered the reporting of the "Value of personality of traction, street railway, gas and electric companies assessed under Chap. 32 of this title (54:32-1 et seq).

The valuations so reported were included in the county tax base on which the county taxes were apportioned. Under this plan any taxing district having within its jurisdiction any utility property was required to assume its proportionate share of the County expense based on the valuation of that property.

In 1940 (R. S. 54:31-45) an Act for the Taxation of the Gross Receipts of Street Railway, Traction, Gas and Electric, Light, Heat, and Power Corporations, etc. was adopted by the Legislature providing acccomplete scheme and method for the taxation of the above corporations and superceded Sections 54:31-1 to 54:32-7 of the Revised Statutes inclusive and Chap. 8 of the Laws of 1938.

The valuations of the property owned by companies in the above categories were no longer included in the county tax base and the municipalities no longer compelled to pay as a share of the county expense any of the money received from the Gross Receipts Tax.

The inequities created by the omission of the Gross Receipts valuations from the county tax base have grown from 1938 to the present and now involve valuations amounting to $419 million dollars.

It is recommended that R. S. 54:4-52 should be amended to include in the "Table of Aggregates" this item: "Value of personalty of street railway, traction, sewerage, gas and electric light, heat and power corporations", so that the said value shall be included in the base on which county taxes are apportioned. (Column 11, Abstract of Ratables).

UNION COUNTY 1960 GROSS RECEIPTS VALUATIONS PLUS -1959- DATA

	EQUALIZED VALUE ON WHICH COUNTY TAXES ARE APPORTIONED	1959 % OF TAXES PAID	NEW % of COUNTY TAX	GROSS RECEIPTS 1960 VALUATION	NEW EQUALIZED VALUE INCLUDING GROSS RECEIPTS	PERCENTAGE MORE	PERCENTAGE LESS	AMOUNT MORE	AMOUNT LESS
BERKELEY HEIGHTS TWNSP.	$ 68,712,042	2.4912	2.4653	$ 326,265	$ 69,038,307	.....	.0259%	.....	$ 2197.
CLARK TWNSP.	82,579,273	2.9940	2.9665	494,948	83,074,221	.....	.0275%	.....	$ 2332.
CRANFORD TWNSP.	129,621,294	4.6995	4.6585	834,701	130,455,995	.....	.0410%	.....	$ 3477.
ELIZABETH CITY	368,403,658.	13.3567	13.3072	4,248,952	372,652,610	.....	.0495%	.....	$ 4198.
FANWOOD BORO	39,857,360	1.4451	1.4285	147,304	40,004,664	.....	.0166%	.....	$ 1408.
GARWOOD BORO	24,369,073	.8835	.8732	85,235	24,454,308	.....	.0103%	.....	$ 874.
HILLSIDE TWNSP	143,925,803	5.2181	5.1619	625,928	144,551,731	.....	.0562%	.....	$ 4767.
KENILWORTH BORO	48,435,727	1.7561	1.7416	335,060	48,770,787	.....	.0145%	.....	$ 1230.
LINDEN CITY	374,290,664	13.5701	14.3038	26,269,468	400,560,132	.7337%	.....	$62,230.	.....
MOUNTAINSIDE BORO	52,380,055	1.8991	1.8819	321,519	52,701,574	.....	.0172%	.....	$ 1459.
NEW PROVIDENCE	58,774,264	2.1309	2.1097	305,459	59,079,723	.....	.0212%	.....	$ 1798.
PLAINFIELD	213,340,211	7.7348	7.6956	2,167,419	215,507,630	.....	.0392%	.....	$ 3325.
RAHWAY	119,779,620	4.3427	4.3029	717,105	120,496,725	.....	.0398%	.....	$ 3376.
ROSELLE BORO	83,894,770	3.0416	3.0121	455,888	84,350,658	.....	.0295%	.....	$ 2502.
ROSELLE PARK BORO	52,816,617	1.9149	1.8928	188,474	53,005,091	.....	.0221%	.....	$ 1874.
SCOTCH PLAINS	96,107,300	3.4844	3.4560	673,680	96,780,980	.....	.0284%	.....	$ 2409.
SPRINGFIELD	91,330,119	3.3112	3.2934	898,221	92,228,340	.....	.0178%	.....	$ 1510.
SUMMIT	180,103,700	6.5298	6.4687	1,045,470	181,149,170	.....	.0611%	.....	$ 5182.

UNION COUNTY 1960 GROSS RECEIPTS VALUATIONS PLUS -1959- DATA

	EQUALIZED VALUE ON WHICH COUNTY TAXES ARE APPORTIONED	1959 % OF TAXES PAID	NEW % OF COUNTY TAX	GROSS RECEIPTS 1960 VALUATION	NEW EQUALIZED VALUE INCLUDING GROSS RECEIPTS	PERCENTAGE MORE	PERCENTAGE LESS	AMOUNT MORE	AMOUNT LESS
UNION	$ 330,327,546	11.9762	11.8497	$ 1,510,383	$ 331,837,929	.....	.1265%	$.....	$10,729.
WESTFIELD	197,767,359	7.1702	7.0807	518,274	198,285,633	.....	.0895%	.....	7,591.
WINFIELD	1,379,485	.0500	.0499	17,920	1,397,405	.....	.0001%	.....	8.
	$ 2,758,195,940	100.0001%	99.9999%		$2,800,383,613		.7339%		$62,246.

COUNTY TAX BUDGET $ 8,481,740.

THIS SHOWS THE EFFECT OF THE GROSS RECEIPTS TAX DISTRIBUTION ON THE COUNTY.

	EQUALIZED VALUE ON WHICH COUNTY TAXES ARE APPORTIONED	1959 % OF TAXES PAID	NEW % OF COUNTY TAX	GROSS RECEIPTS 1960 VALUATION	NEW EQUALIZED VALUE INCLUDING GROSS RECEIPTS VALUATION	PERCENTAGE MORE	PERCENTAGE LESS	AMOUNT MORE	AMOUNT LESS
BERGEN COUNTY									
RIDGEFIELD	$ 67,036,771	1.5755	1.9356	$ 16,385,495	$ 83,422,266	.3601%	.....	$45,048.	.....
Balance BERGEN COUNTY	4,187,729,692	98.4245	98.0644	38,714,832	4,226,444,524	.....	.3601%	.....	$45,048.
COUNTY TOTAL	$4,254,766,463			$ 55,100,327	$4,309,866,790				
TAX BUDGET - 1959	$ 12,510,035.								
UNION COUNTY									
LINDEN	$ 374,290,664	13.5701	14.3038	$26,269,468	$ 400,560,132	.7337%	.....	$62,230.	.....
Balance UNION COUNTY	2,383,905,276	86.4299	85.6962	15,918,214	2,399,823,490	.....	.7337%	.....	$62,230.
COUNTY TOTAL	$2,758,195,940			$42,187,682	$2,800,383,622				
TAX BUDGET - 1959	$ 8,481,740.								

90 A

Socony Mobil Oil Company, Inc.

150 EAST 42ND STREET, NEW YORK 17, N. Y.

February 26, 1960

Hon. Wayne Dumont, Jr., Chairman
Committee on Review and Amendment of Laws
of the New Jersey Legislature
State House,
Trenton, N. J.

Re: Assembly No. 198
State of New Jersey

Dear Senator Dumont:

Socony Mobil Oil Company, Inc. wishes to go on record with your Committee as being opposed to Assembly Bill Number 198 as introduced January 18, 1960 by Assemblymen Mathews, Farrington, Kurtz, Bradleston and Barkalow unless the amendatory provisions set forth below are adopted.

1. The words "true value" appearing in Sec. 1 on line 3, should be changed to "fair market value". The traditional method of arriving at taxable values where ad valorem taxation is concerned is to start with the fair market value and apply a percentage thereto in arriving at taxable value. The terminology we suggest is well understood by everyone concerned with ad valorem taxation, and in our opinion is less likely to be misinterpreted than any other. Similar changes should be made throughout the entire bill wherever the words "true value" appear.

2. We believe the provisions contained in Sec. 5 whereby it is proposed to equate the fair value on tangible personal property used in business with its net book value will in no sense produce any uniformity in assessments. Various industries keep their books on different bases and even companies within one industry have variations in their methods of accounting. Again, it is our considered opinion that tangible personal property used in business should be assessed on the basis of its fair market value which should produce an equitable result.

3. Sec. 6 relating to the establishment of values for inventories is subject to the same objections which have been set forth above pertaining to Sec. 5. Again, the value for inventories should be established by first considering their fair market value and then establishing the taxable value at 1/4 of the level used for real estate.

4. Sec. 10 imposes an unconscionable burden in time and expense on taxpayers having personal property in most, if not all, of the

567 taxing jurisdictions in the State of New Jersey. For example, at the present time the manner in which our accounting records are kept is such that we would be unable to meet the requirements of Sec. 10 for each and every taxing jurisdiction in the State of New Jersey. This is especially true with respect to the development of accurate depreciated values for each piece of equipment. If we must revise our records in order to meet the requirements of Section 10 it will be excessively expensive and time consuming. The gathering of the basic information presents a tremendous problem. Our accounting records are presently designed to furnish information on a State wide and National basis. The compulsory filing of returns may well add to the cost of government without providing a compensating increase in tax revenues. We believe and we recommend that the existing law pertaining to the filing of returns should be continued in its present form.

5. Sec. 11 establishes a penalty of $2 for each day the taxpayer is delinquent in filing a return, and if such return has not been filed after the expiration of three months a further penalty is imposed of a sum equivalent to 25% of the amount of the tax determined to be due. This is an excessive penalty. Many corporations will undoubtedly have at least some personal property in practically every one of the 567 taxing jurisdictions in the State of New Jersey. In a great many instances the identity of the taxing district cannot be determined since the only addresses shown on the corporate records are the mailing addresses which in many cases are not the same as the address of the taxing jurisdiction. Substantial penalties could be imposed upon taxpayers under this Section where no wilfull or fraudulent intent to refrain from filing a return exists. It seems to us that if Sec. 11 were amended to provide that the taxpayer would lose its right to appeal the assessed valuation if it failed to file the return this would be an adequate penalty and would be sufficient protection for the taxing district.

6. It is recommended that the 3 year revaluation requirement in Sec.14 be changed to 10 years. It is believed that the 3 year revaluation requirement is unrealistic. As a practical matter this would necessitate a continuous revaluation program at an unjustified cost to the taxing district in view of the probable results which would be obtained.

7. The bill should provide that the assessor must notify each taxpayer in writing of any change in assessment from the assessment for the previous year on or before December 15th in each year. This will provide the taxpayer with an opportunity to have errors corrected before the tax rolls are closed and should result in a substantial reduction in the number of appeals taken from the assessed values placed on the rolls by the assessors.

We are in favor of the provisions in Assembly Bill No. 198 for the establishment of percentage levels by the county boards of taxation for the assessment of real estate; relating the assessment of business machinery and equipment to the real

estate percentage level; the establishment of a level for inventory assessment equal to 1/4 of the level established for real estate; and the exemption from taxation of all inventories of raw materials, supplies, work in process and small tools. These are steps in the right direction toward creating a favorable "tax climate" for industry in the State of New Jersey. They will also help the State of New Jersey to maintain a better competitive position in relation to its neighboring States of Delaware, Pennsylvania and New York, where, as you know, there is no ad valorem tax on personal property and merchandise inventories.

The amendments herein recommended will eliminate inequities and will provide a fair and equitable method of ad valorem tax administration for the State of New Jersey as well as providing a reasonable distribution of the tax burden among all of the taxpayers.

Respectfully submitted,

SOCONY MOBIL OIL COMPANY, INC.

By P. W. Mitchell

P. W. Mitchell, Asst. Manager
Real Estate Department

pwm.lb

THE FOLLOWING EXAMPLES AND CHARTS WERE FILED BY ALFRED J. GREENE, JR.:

EXAMPLE I

REAL PROPERTY

BASE YEAR

ASSESSMENT RATIO = 50%

EST. 200,000 VALUE - 1960

STATE MANUAL

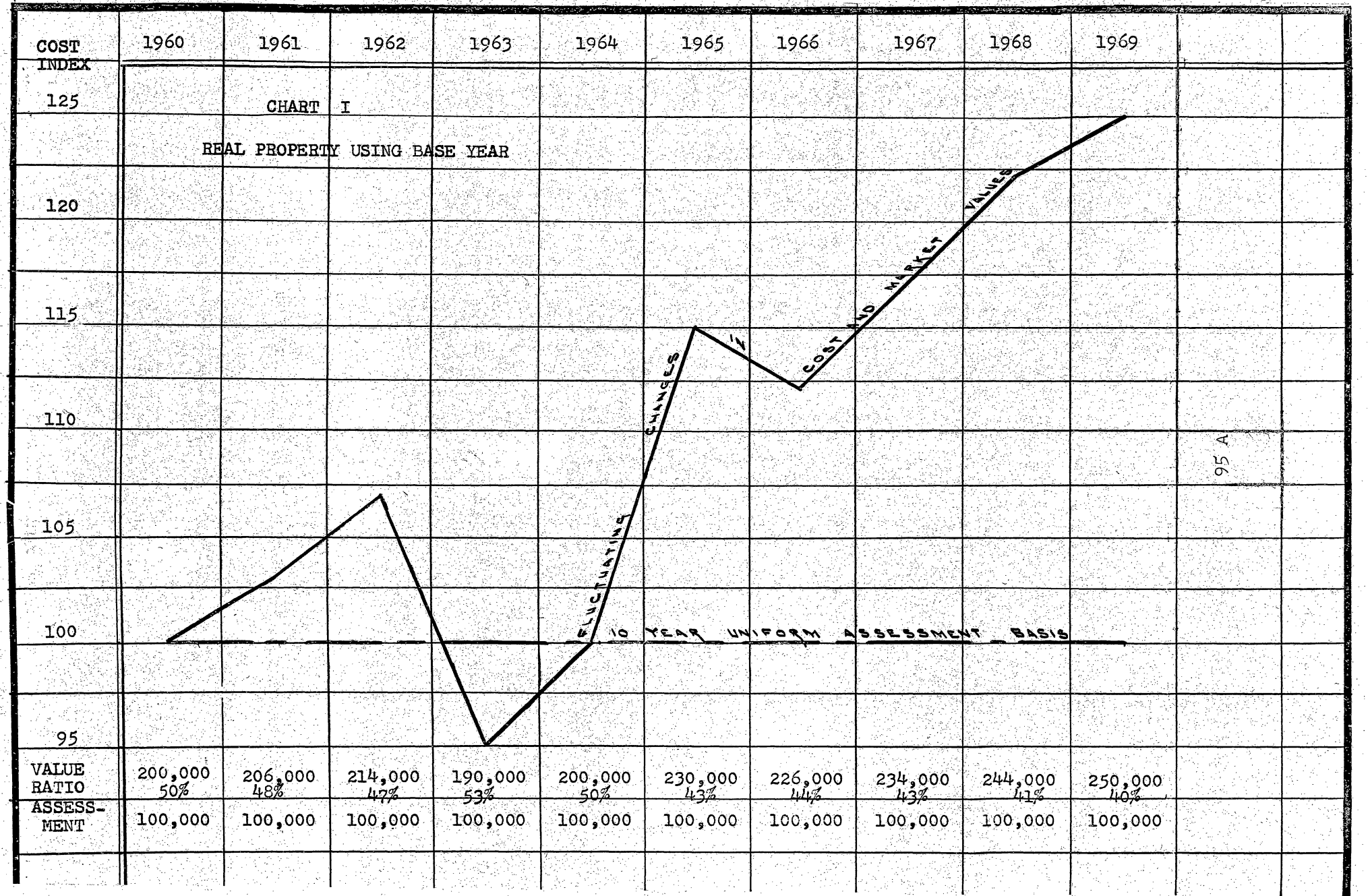
1960 VALUE AS A BASE YEAR

YEARS	BASE YEAR VALUE	COST 1960 -INDEX FACTOR %	CURRENT -MARKET VALUE	COMMON LEVEL ASSM'T 50%	RATIO OF ASSM'T TO MARKET VALUE
1960	200,000	100	- 200,000	100,000	50%
1961	200,000	103	206,000	100,000	48
1962	200,000	107	214,000	100,000	47
1963	200,000	* 95	190,000	100,000	53
1964	200,000	100	200,000	100,000	50 %
1965	200,000	115	230,000	100,000	43 %
1966	200,000	113	226,000	100,000	44 %
1967	200,000	117	234,000	100,000	43 %
1968	200,000	117	234,000	100,000	43 %
1969	200,000	122	244,000	100,000	41 %
1970	200,000	125	250,000	100,000	40 %

* 1963 Market Value drop 12% due to economic condition- Therefore value is adjusted by cost index factor to 95%.

CHART I

REAL PROPERTY USING BASE YEAR



	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
VALUE	200,000	206,000	214,000	190,000	200,000	230,000	226,000	234,000	244,000	250,000
RATIO	50%	48%	47%	53%	50%	43%	44%	43%	41%	40%
ASSESS-MENT	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000

MACHINERY AND EQUIPMENT

EXAMPLE II

Assume $100,000. Investment- Normal Depreciable Life- 10 years
Normal Actual Life- 15 years

	Straight Line	FULL VALUE Defense 50%+First 5 Years	- NET BOOK Double Declining Balance	Sum of Digits
1st Year	90,000	85,000	80,000	81,818
2nd Year	80,000	70,000	64,000	65,455
3rd Year	70,000	55,000	51,200	50,909
4th Year	60,000	40,000	40,960	38,182
5th Year	50,000	25,000	32,768	27,273
6th Year	40,000	20,000	26,214	18,182
7th Year	30,000	15,000	20,971	10,909
8th Year	20,000	10,000	16,777	5,455
9th Year	10,000	5,000	13,422	1,818
10th	—	--	10,738	---
Sub Total	450,000	325,000	369,050	300,001
Average	45,000	32,500	36,905	30,000
11th Year	---	---	8,590	---
12th Year	---	---	6,872	---
13th Year	---	---	5,497	---
14th Year	---	---	4,397	---
TOTALS	450,000	325,000	387,924	300,001
Average	30,000	21,667	26,528	20,000
First 10 years	75,000	200,000	155,950	225,000
First 15 Years	200,000	325,000	252,076	350,000

23 Townships favored recommendations by the Association of Township Committeemen and 12 Townships did not approve.

7 Townships would modify the recommendations in the light of the Tax Policy Commission Report and 17 would not.

Comments by the 38 Townships covered a wide range. Seven approved the sales tax proposal and three opposed a sales tax referendum. One favored a tax convention to develop broad based taxes. One favored "economy in government" and "no new taxes". Another simply replied: "leave tax policy as is".

One Township opposed the Corporation Income tax and wanted to maintain the tax upon business inventories. Two favored local tax collection over State administration. One urged a school tax upon every one over 21 and another expressed approval of 40 per cent assessment for real estate.

Notwithstanding the range of comments, replies from the Townships indicated substantial, though not unanimous, approval of recommendations by the Association. The 38 responding Townships included at least one from every county except Hudson, Camden, Union, Essex and Ocean. The request for reply by formal action of Township Committees may have limited the number, but it gave assurance of carefully considered answers by those which did reply.

Against this background, the Association must take the position that Senate Bill 211 should be modified as indicated in the statement, to carry out "Alternative 2" and to provide "Replacement" revenues for municipalities.

Sales Tax Recommendations by the Association should also receive legislative consideration.

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