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P U B L I C    H E A R I N G

before

ASSEMBLY COMMITTEE ON TAXATION

on

Assembly Concurrent Resolution No. 2001 -  
proposing a constitutional amendment to  
Article VIII, Section I, paragraph 4,  
permitting exclusion of Railroad Retirement  
Benefits from the income of retired citizens  
to qualify for real estate tax deduction.

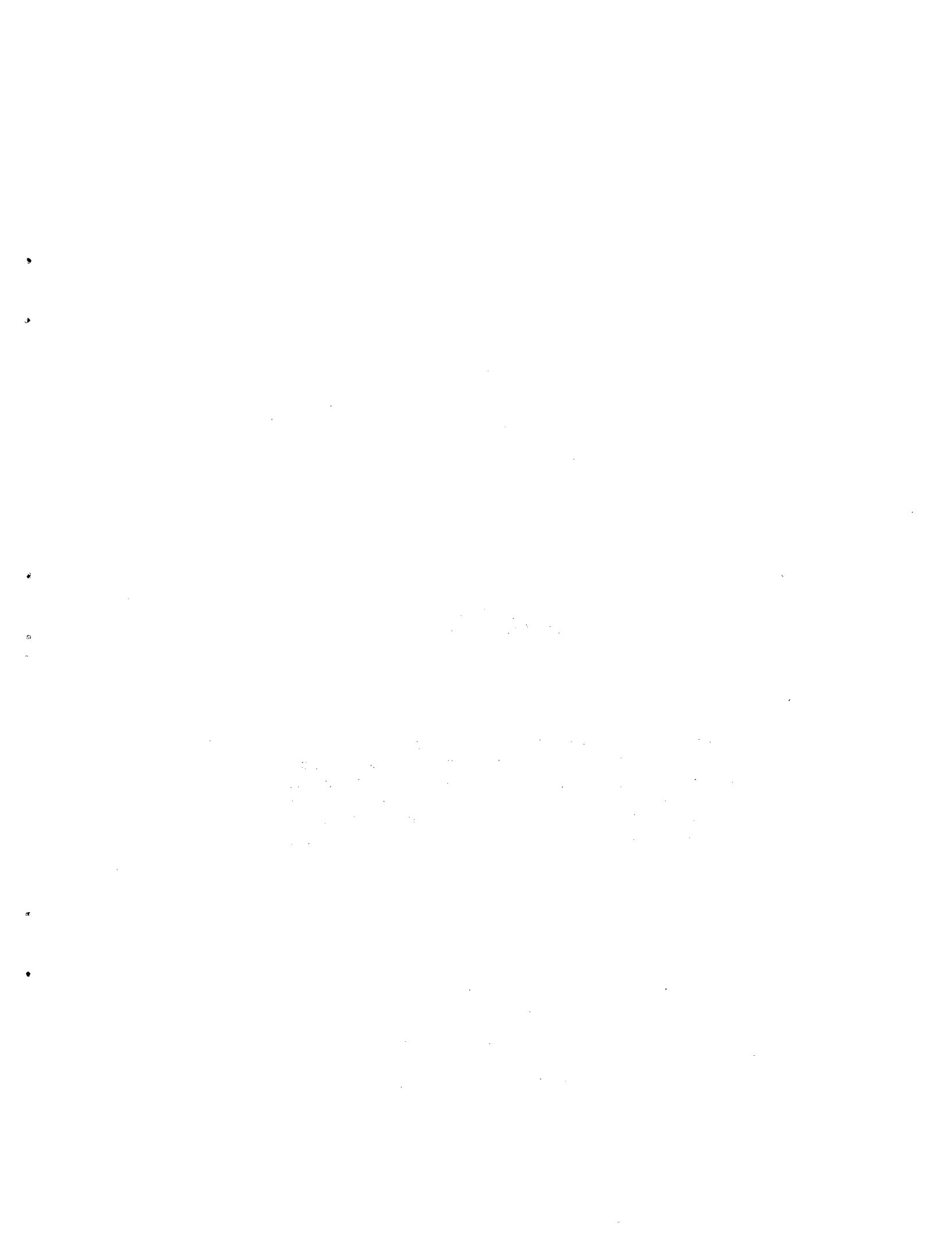
Held:  
March 22, 1971  
Assembly Lounge  
State House  
Trenton, New Jersey

Members of Committee present:

Assemblyman William K. Dickey [Chairman]  
Assemblyman William J. Dorgan  
Assemblyman James J. Florio  
Assemblyman Joseph M. Healey

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I N D E X

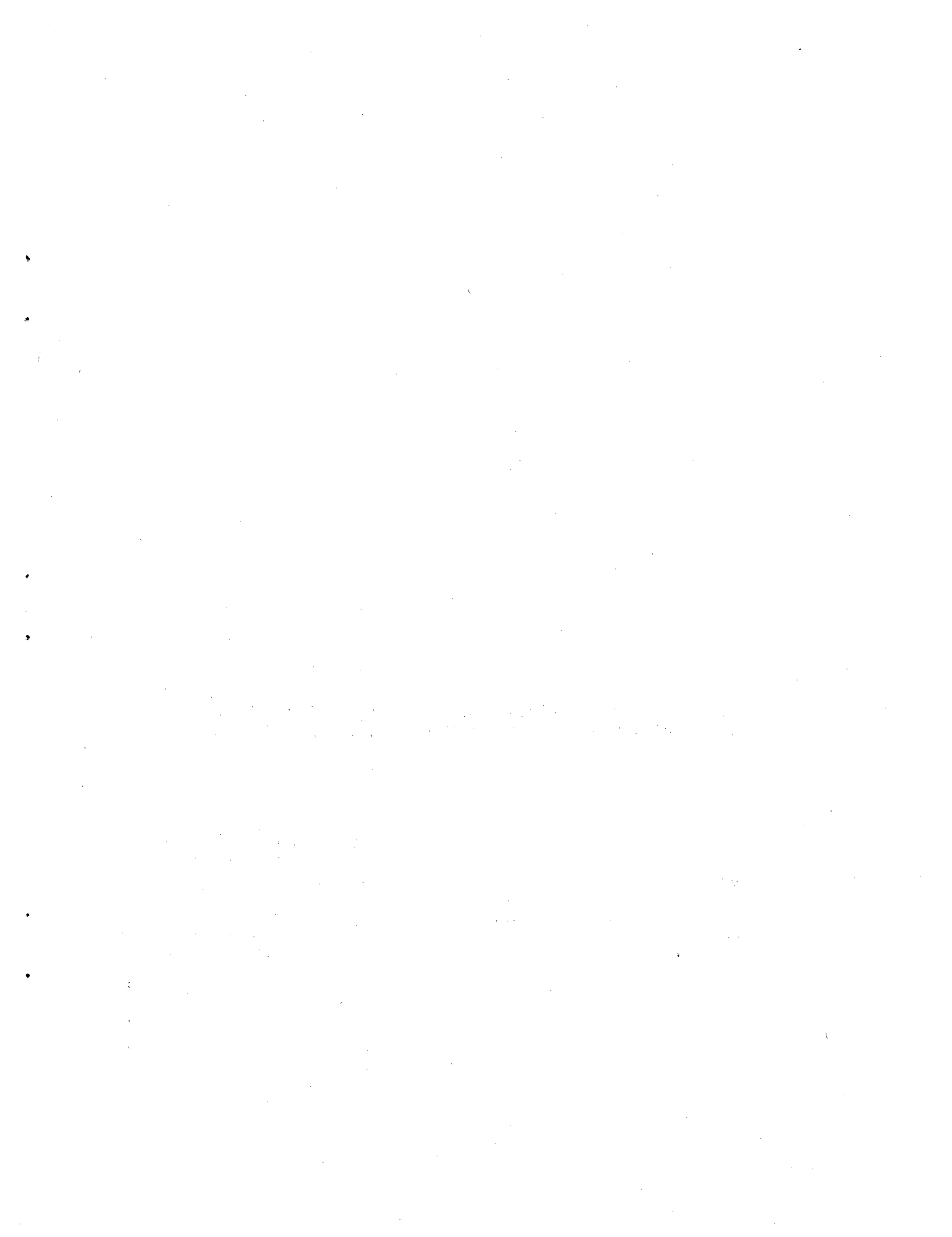
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ASSEMBLYMAN WILLIAM K. DICKEY [Chairman]: I will call the committee meeting to order.

This is a public hearing before the Assembly Committee on Taxation to consider Assembly Concurrent Resolution Number 2001. This concurrent resolution proposes an amendment to the State Constitution and would exclude from the consideration of annual income benefits for payments under the Railroad Retirement Act, not in excess of \$5,000, and would require the State to reimburse municipalities to the extent of one-half of the tax loss from such added exemption.

My name is William Dickey. I am Chairman of the Committee, representing Camden County. Next to me is Assemblyman William Dorgan of Bergen County and Assemblyman Joseph Healey of Hudson County.

I will call as our first witness Assemblyman Mabie. Will you come to the front, Mr. Mabie, please.

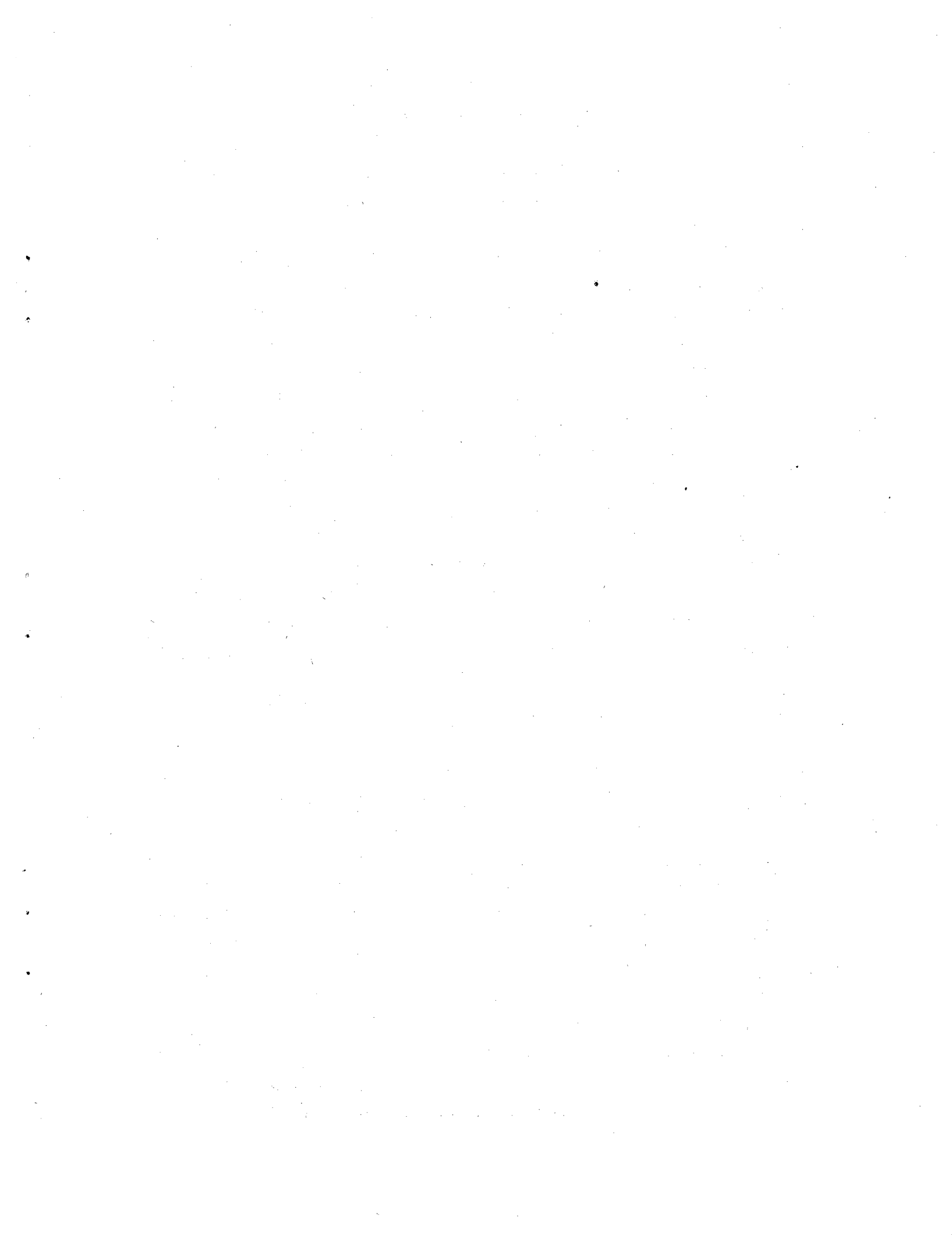
B E N J A M I N H. M A B I E: Mr. Dickey, I would like to thank you and your Committee for the opportunity to speak on behalf of ACR 2001. Everyone recognizes the need for it. In fact, I believe this was one of the extra items added to our last year's bill that the Governor had to veto. When he signed the Social Security exclusion, he mentioned that he was sorry he had to, was in accord with the thinking behind it, and this bill would bring to fruition the part that had to be vetoed last year.

I once again would like to thank you for the speed with which you set up this public hearing and for the cooperation extended.

ASSEMBLYMAN DICKEY: Thank you, Assemblyman Mabie. Before you leave, I will ask whether any of the Committee members have any questions to direct to you.

Mr. Dorgan?

ASSEMBLYMAN DORGAN: I have one. Mr. Mabie, the objection that has been raised to me, and I have been receiving mostly in my mail, is the fear that if the exemption is extended to the Retirement Act, other groups, similar groups,



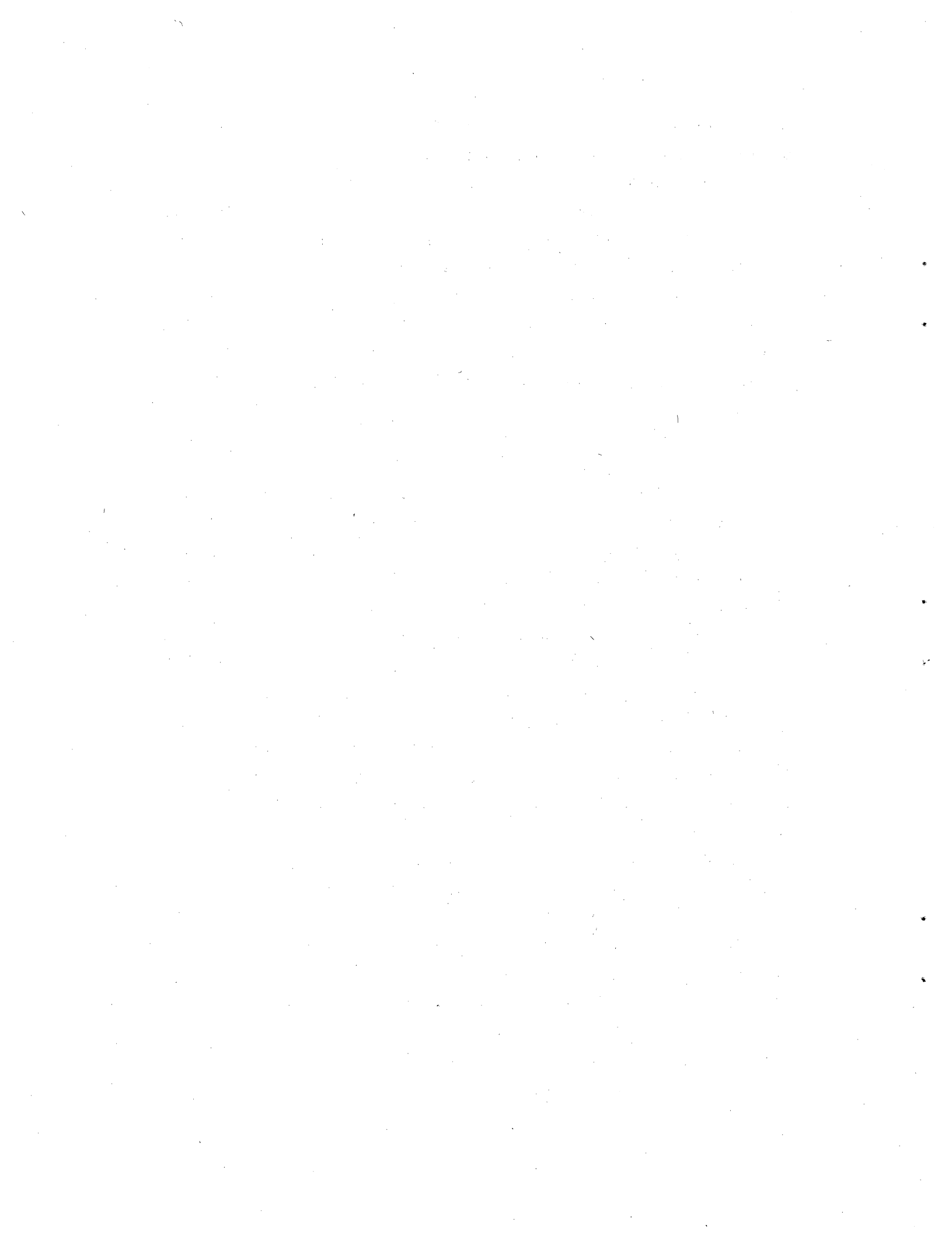
will then follow. Do you have any fear of that? In other words, we first started with just Social Security and now it is requested for railroad retirement. Do you feel that other groups will follow?

ASSEMBLYMAN MABIE: I feel confident they will, Mr. Dorgan, and I think they should frankly. If in fact this is comparable to or the same type of income that Social Security is, then it would seem to me extremely unfair to eliminate Social Security and not the Railroad Retirement Act or some phases, perhaps, of governmental employees.

To answer your question, - I took the long way around - yes, I do.

ASSEMBLYMAN MABIE: If we do, we will constantly then be amending this act and we are going to constantly need referenda every November if that follows. Do you think it might be better to use a broader exemption here, something that would cover other groups?

ASSEMBLYMAN MABIE: As an individual member, I would support any resolution to put a referendum on the ballot for similar types of exclusion. The only thing - I think when you bulk them, conceivably you could work to the disadvantage of one particular segment. However, I can't conceive why people would vote for one and not another, but it could happen. And to that end, I think it might be better - and I agree with you - that they should all be taken care of. But rather than group them into one where people don't have the opportunity to vote for or against Railroad retirement, or for or against Social Security, or for or against governmental pensions, I think they should be given the right to pick and choose between them. At least, this is my own personal feeling. And that was the thought behind introducing this and not including in there any other segment. But I do feel that there will be others and I would support others. I think we should do one or all.



ASSEMBLYMAN DORGAN: You know the League of Municipalities is opposed to this, I understand. I think they wrote to me.

ASSEMBLYMAN MABIE: I believe they are.

ASSEMBLYMAN DORGAN: What is their objection, do you know?

ASSEMBLYMAN MABIE: I frankly don't know.

ASSEMBLYMAN DICKEY: Mr. Healey, do you have any questions of this witness?

ASSEMBLYMAN HEALEY: I don't have any, except I feel the same as Assemblyman Dorgan, that if we are doing to do it, we should lump them all in one referendum.

I might ask: Do you have any requests from other groups asking for a bill of this type or a resolution of this type?

ASSEMBLYMAN MABIE: No, I don't. But I think there are other pieces of legislation covering other segments, and I would ask that the Committee give some consideration in its decision as to whether or not they would bulk them into one yes or no vote or break them down on the same ballot so that the people do have the right to pick and choose.

To answer your question, I have had no other contact from any other group.

ASSEMBLYMAN HEALEY: There is a letter from the New Jersey League of Municipalities. You apparently have read it.

ASSEMBLYMAN MABIE: No, I haven't, frankly. I heard they were opposed but I haven't read it.

ASSEMBLYMAN DORGAN: I hate to be the devil's advocate here, Mr. Mabie, but there is going to be a fiscal note again attached to this bill as there was to the last one. Do we have that at this time?

ASSEMBLYMAN MABIE: I don't, Mr. Dorgan.

ASSEMBLYMAN DICKEY: Mr. Mabie, do you have any general concept of what this will cost the State and the municipalities?



MR. MABIE: No, I don't, Mr. Dickey. I just felt that it was needed and didn't explore that channel at all. I kind of think it is unfair to take one segment and not exclude all segments. I think all of it should have been approved or none of it, but that is again my personal opinion.

ASSEMBLYMAN DICKEY: Any other questions?

ASSEMBLYMAN HEALEY: Mr. Chairman, the New Jersey State League of Municipalities state in the second paragraph of their letter: [Reading] "We are opposed to excluding railroad retirement benefits from the act because they are usually much greater than Social Security benefits which were previously removed from the act."

ASSEMBLYMAN DICKEY: Any other questions of Assemblyman Mabie? [No response.] Thank you very much, Mr. Mabie.

ASSEMBLYMAN MABIE: Thank you, Mr. Dickey.

ASSEMBLYMAN DICKEY: For the record and with the consent of the other Committee members, I would like to introduce in the record, a letter from Mr. Robert H. Fust, Executive Director of the New Jersey State League of Municipalities. I assume that both of you have read the letter.

This letter speaks in opposition to the proposal. I will ask that our secretary place this in the record.

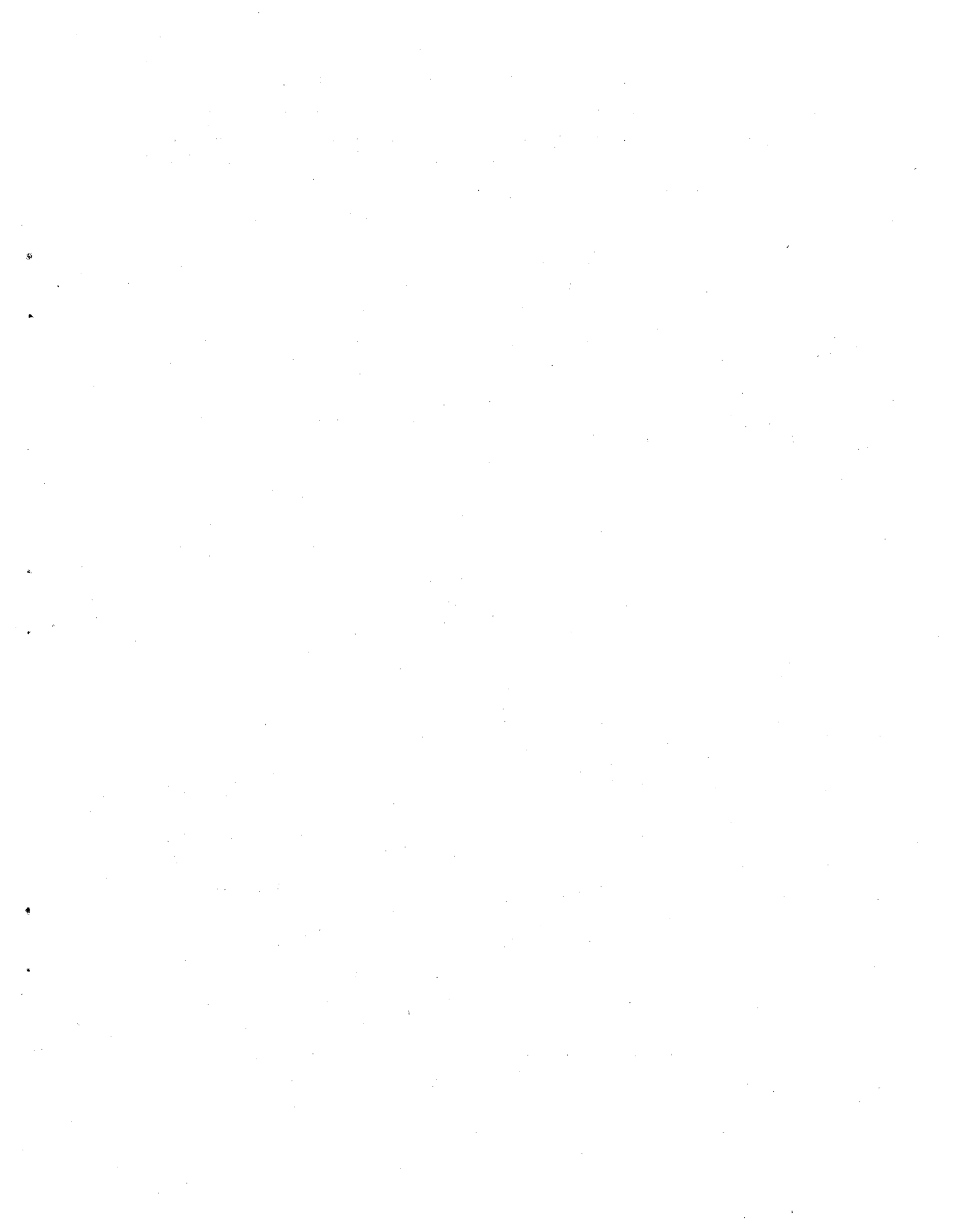
[Letter from N.J. State League of Municipalities, dated 3-18-71, can be found on page 10 of this transcript.]

I think Mr. Schluter has requested that he be permitted to testify. Mr. Schluter, state your full name, please.

W I L L I A M E. S C H L U T E R: I am Assemblyman William Schluter. I reside in Pennington and represent the Suburban Section of Mercer County.

I will have, Mr. Chairman and members of the Committee, a statement which is being typed up now and I request, if it meets with your accord, that the record be kept open to accept that statement.

ASSEMBLYMAN DICKEY: We will do that.



ASSEMBLYMAN SCHLUTER: Thank you.

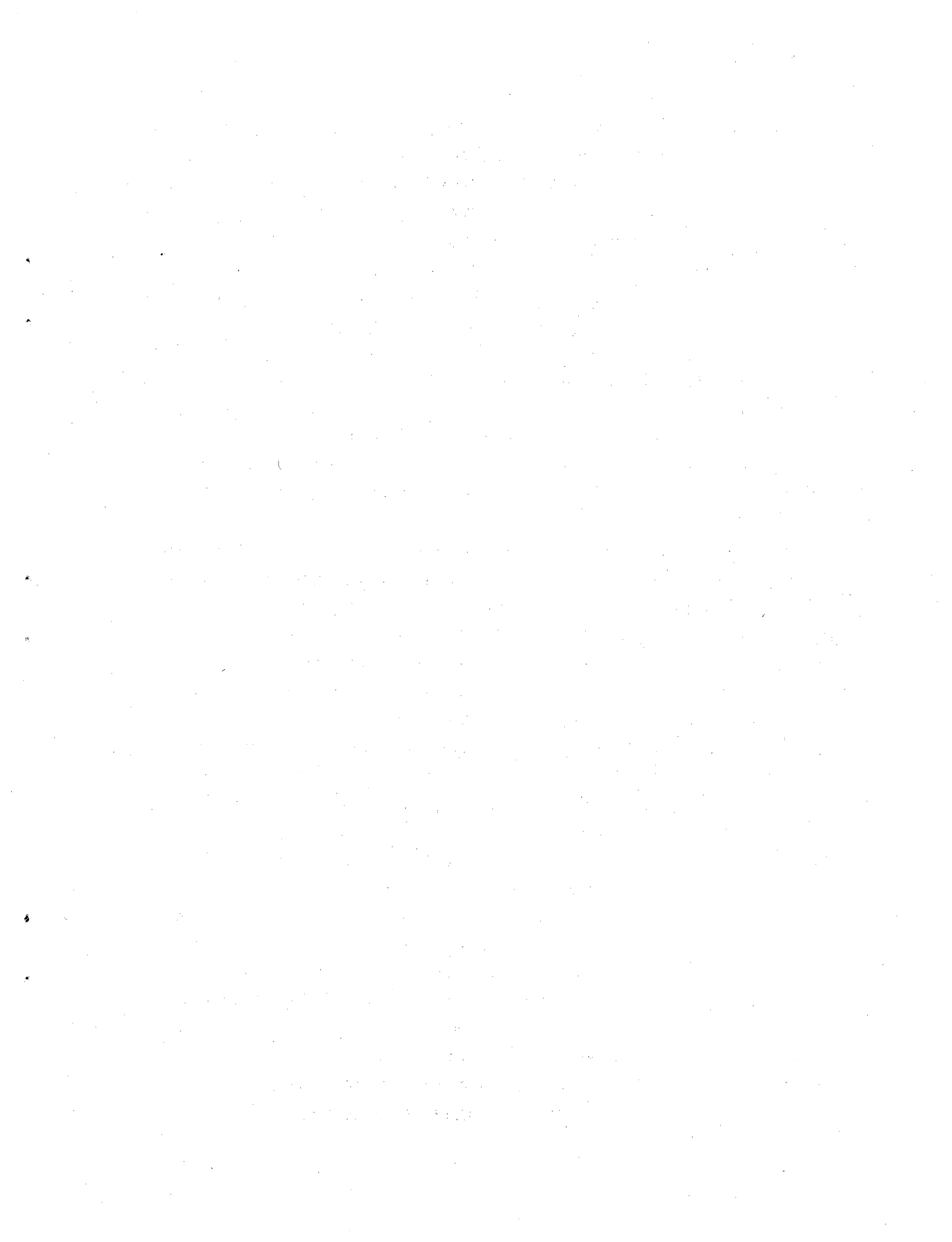
Very briefly, my position is one of support of the concept of including railroad retirement pension beneficiaries in the exclusion for income considerations in considering the property tax exemption. However, I do believe that there are other categories which should be considered at the same time and which have equal claim to the exclusion which is contemplated by ACR 2001.

I happen to have sponsored another bill, ACR 2009, which spells out these other categories. Let me make it clear that I do support ACR 2001. However, I would hope that the concept would be expanded to go further.

There are other categories. There are other Federal pensions, I understand, where the recipients and participants in that pension program were not eligible to join the Social Security program and thereby they cannot get the benefits of the Social Security credit in their income consideration. We also have State pension beneficiaries who were members of the State Pension System when they were not allowed to be members of the Social Security System. There are also possibly other State and public pension systems which are in this same category.

The principle embodied by ACR 2009 is one which would include the railroad retirees as well as other Federal pension beneficiaries and other public pension holders, State and local public systems, where they were not eligible to be members of the Social Security System and they do get this other pension.

Now the one thing which I think you have to look with care upon is: What is the total amount that you would allow as an offset to income of these other pensions? And I would suggest, as is included in ARC 2009, that it be limited to their equivalent credit if they were under Social Security, so it does not go beyond that amount. The Railroad Retirement benefits might go beyond Social Security benefits. But what I am suggesting is that the



total be limited to the maximum Social Security.

There are two other points which I would like to bring to your attention: One is the fact that the Senior Citizens Tax Study Commission on which I serve recommended that the age limit for those who will benefit from the property tax credit with respect to single women should be reduced to age 62, to make it conform to the Social Security Law, and this is what ACR 2009 contemplates. If a single woman owns property, at age 62 or over, she would be eligible in the same way as a retired person or a person over 65 with the same income limitations and so forth.

Finally, I think that consideration should be given to a whole other category of persons because they are not active members of the work force in New Jersey in the same manner that retired persons are not active members of the work force, and, that is, those persons who are completely disabled according to the Social Security standards and receive Social Security benefits because of their disability. I am suggesting that they should have as much right to this help from the municipalities and from the State as retired persons because they are not active members of the work force and the requirements of Social Security with regard to their disability are, I understand, very stringent. These people, as a matter of fact, are persons who are completely disabled under 65. They have another large handicap and, that is, they are not eligible for Medicaid in the State of New Jersey unless they are in a categorical welfare program; whereas, senior citizens are eligible for Medicare, and this is a benefit that disabled people do not get. So I would hope that consideration could be given to this category.

My final comment is that I would personally be opposed to changing the New Jersey Constitution to allow the Legislature to set these exemptions on a continuing basis because I believe, if this were to happen, that the



whole matter of exemptions would get out of hand, it would be difficult to exercise a rational control, and I think the different groups would be vying with other groups for legislative approval for additional exemptions. I would personally rather see it done by constitutional amendment.

My statement should be here any minute to make as a part of your record and I thank you for allowing me to comment.

[Written statement submitted by Assemblyman Schluter can be found beginning on page 11 of this transcript.]

ASSEMBLYMAN DICKEY: Thank you, Mr. Schluter.

Mr. Dorgan, do you have any questions of Mr. Schluter?

ASSEMBLYMAN DORGAN: Mr. Schluter, we are then to deduct from that, in addition to your own bill, you would agree like the previous speaker that there should be a more general exemption so that we don't continually pass these exemptions annually, is that right? You said constitutional amendment?

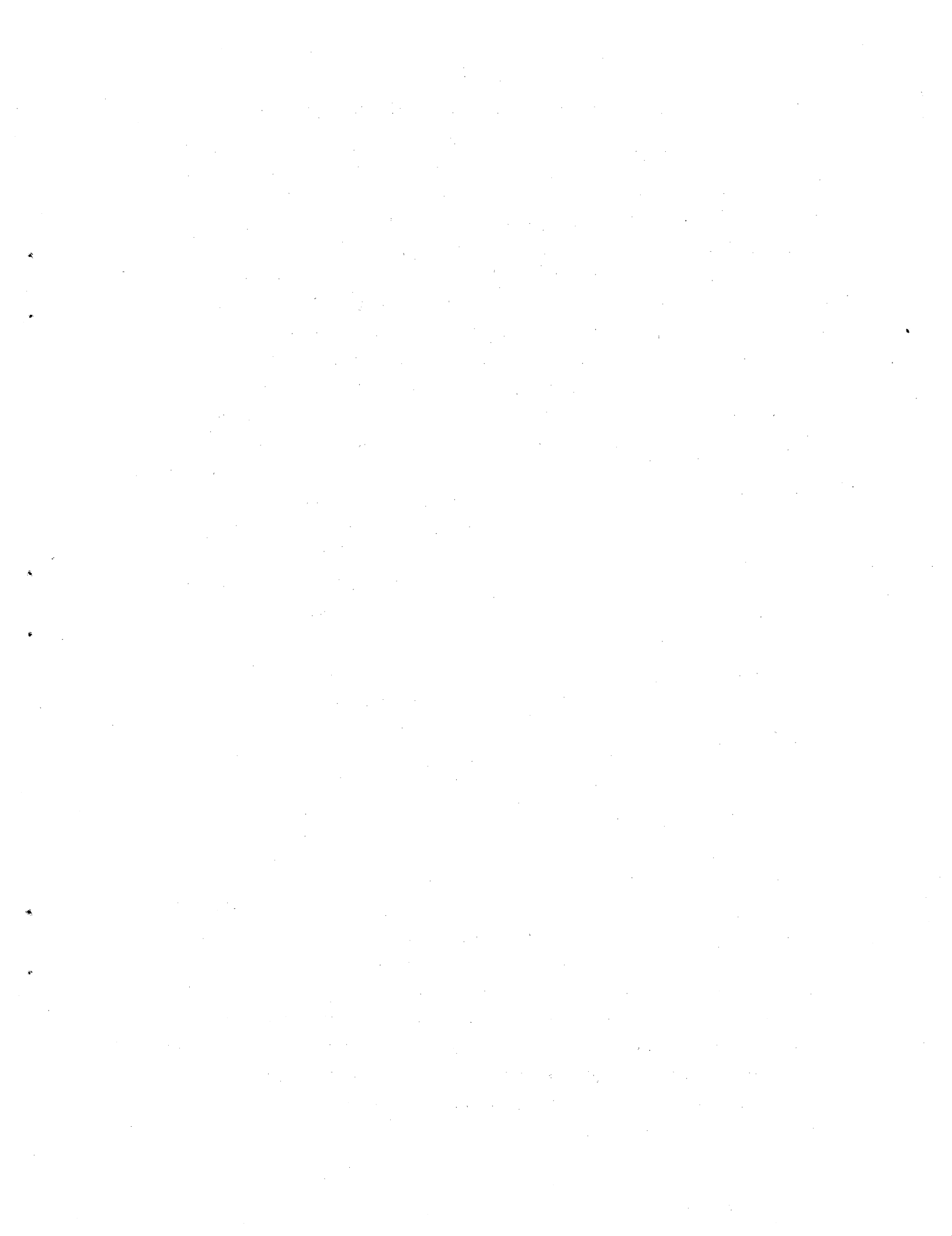
ASSEMBLYMAN SCHLUTER: Yes, I would like to see it done on a constitutional basis.

ASSEMBLYMAN DORGAN: -- as opposed to the continual revision.

ASSEMBLYMAN SCHLUTER: No. There is the thought advanced that the constitution should be changed, giving the Legislature the power to make these adjustment in who qualifies and who does not qualify. And I would be opposed to that type of approach because I think it could become a political football.

Now, as far as anticipating every type of pension that would come in under the same principle, we might not be able to anticipate all of them. I would like to be able to and, if it could be done in a general term, fine. But I don't know how to without being as specific as I have tried to be.

ASSEMBLYMAN DORGAN: The reason I asked that is I



believe that the Governor's Tax Policy Committee - one of the Task Forces - is taking up this same subject on senior citizen exemptions. I think we made a good move last year. I think that before we go into constitutional amendments, might it not be well to await the recommendation of the Governor's Tax Policy Committee, which I think will be forthcoming by the end of the year, at least it is supposed to be.

ASSEMBLYMAN SCHLUTER: This is true, Assemblyman, but, of course, as you recall when the particular bill - I think it was Assembly 1317 - was passed, it was at that time expressed by the Legislature that we wanted to include railroad retirees in this particular exemption. And when the Governor vetoed that on technical grounds, I think he declared that he would like to see the Legislature enact a railroad retirement group exemption as rapidly as possible. So I realize there is reason to wait for the Tax Policy Committee to report, but because of the legislative history and the Governor's comments on this, I personally would like to see it acted on this year.

ASSEMBLYMAN DORGAN: But this bill we are discussing now you favor without amendment, just as it is - ACR 2001.

ASSEMBLYMAN SCHLUTER: I would prefer additional categories which have been anticipated by further thought on this question, and those additional categories are as I spelled out before.

ASSEMBLYMAN DICKEY: Mr. Healey, do you have any questions?

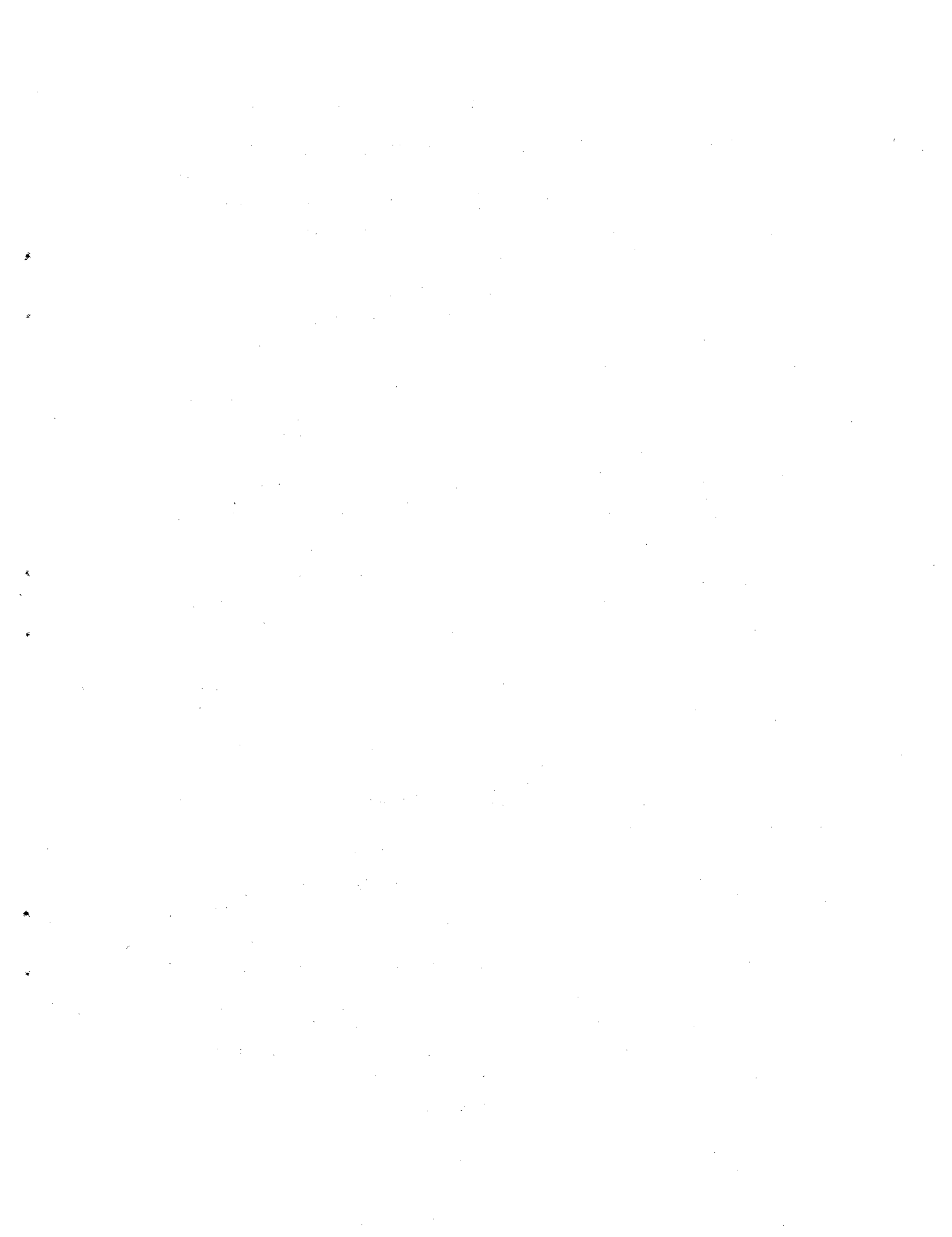
ASSEMBLYMAN HEALEY: No.

ASSEMBLYMAN DICKEY: Mr. Florio?

ASSEMBLYMAN FLORIO: No questions.

ASSEMBLYMAN DICKEY: Thank you very much, Mr. Schluter. If you will give us your statement, we will include it in the record.

ASSEMBLYMAN SCHLUTER: Thank you.

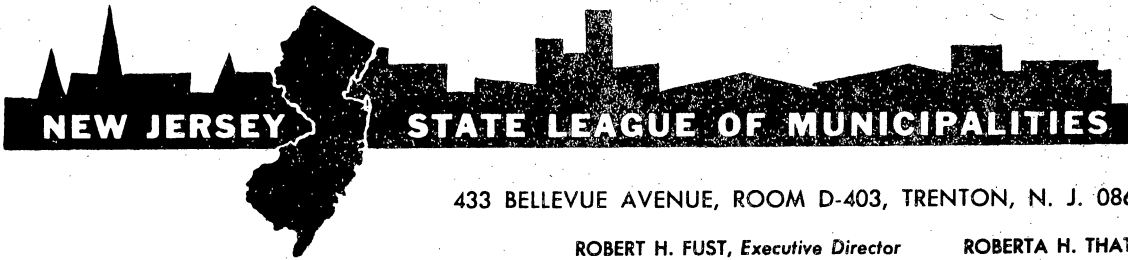


ASSEMBLYMAN DICKY: Does anyone else wish to testify at this hearing? If not, I will declare the public hearing concluded. Thank you very much.

[Hearing Adjourned]

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ROBERT H. FUST, *Executive Director*

ROBERTA H. THATCHER, *Asst. Executive Director*

March 18, 1971

Hon. William K. Dickey, Jr.  
Chairman, Assembly Committee on Taxation  
122 Haddon Avenue  
Collingswood, N. J. 08108

Assembly Concurrent Resolution 2001

Dear Mr. Dickey:

The New Jersey State League of Municipalities wishes to go on record opposing Assembly Concurrent Resolution 2001 which would amend the Senior Citizen's Tax Deduction Act to exclude payments under the Railroad Retirement Act from the definition of income under the statute.

We are opposed to excluding railroad retirement benefits from the act because they are usually much greater than Social Security benefits which were previously removed from the act.

Each year another pension group who receive no exclusion benefits is discovered and again the senior citizen's act is placed before the electorate on referendum. We are against this continual whittling away at the definition of exclusion of income.

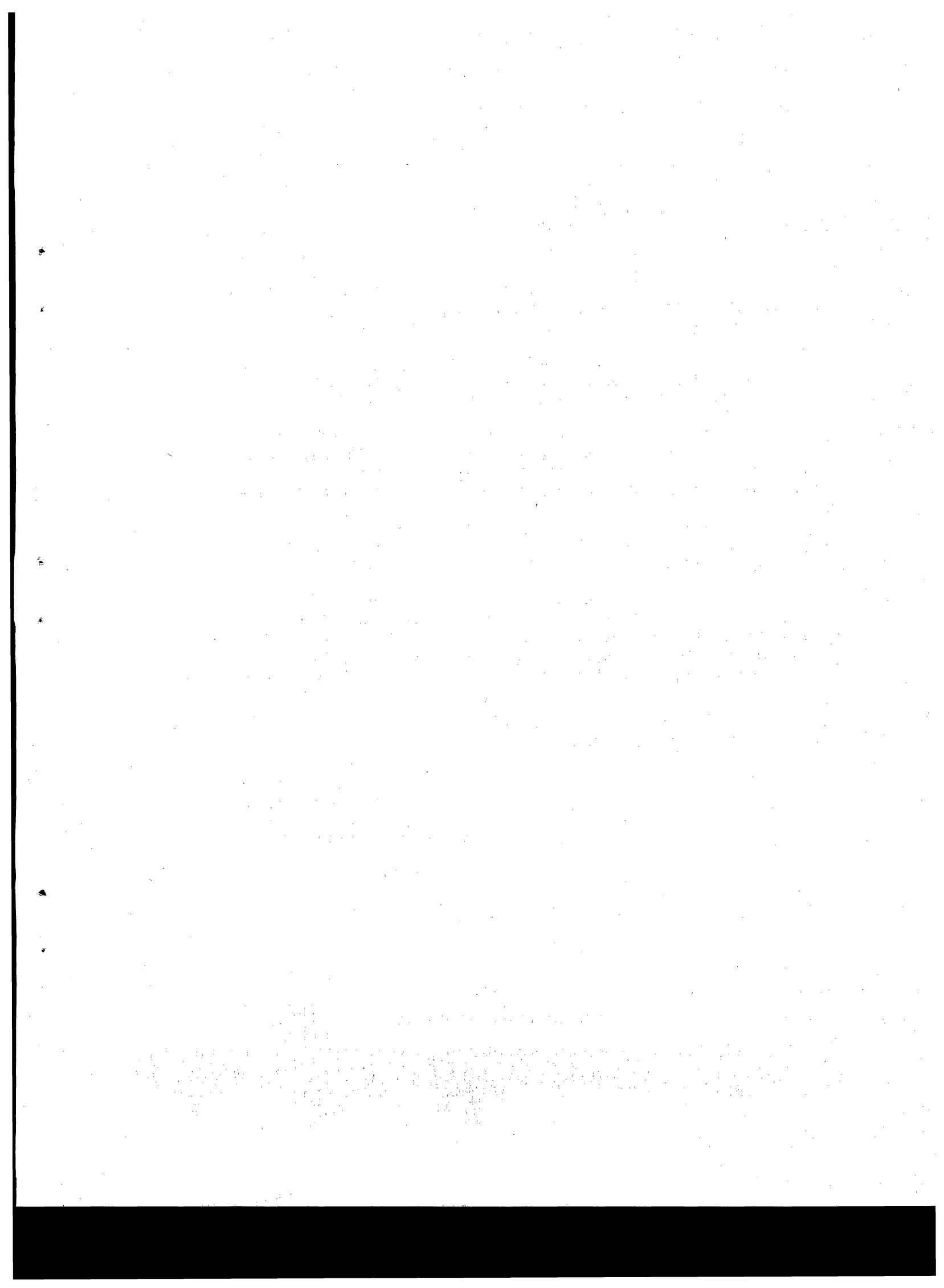
Many senior citizens themselves are becoming aware that their deductions are costing points in the tax rate. They are beginning to feel that this benefit is of little real value.

For these reasons, we must state our opposition to Assembly Concurrent Resolution 2001 and ask that this letter be entered as part of the hearing record on Monday, March 22.

Very truly yours,

Robert H. Fust  
Executive Director

RHF:meb



STATEMENT

by

Assemblyman William E. Schluter

District 6A (Mercer)

before

PUBLIC HEARING OF THE TAXATION COMMITTEE

on ACR-2001

March 22, 1971 - Assembly Chambers

The Honorable William K. Dickey, Chairman

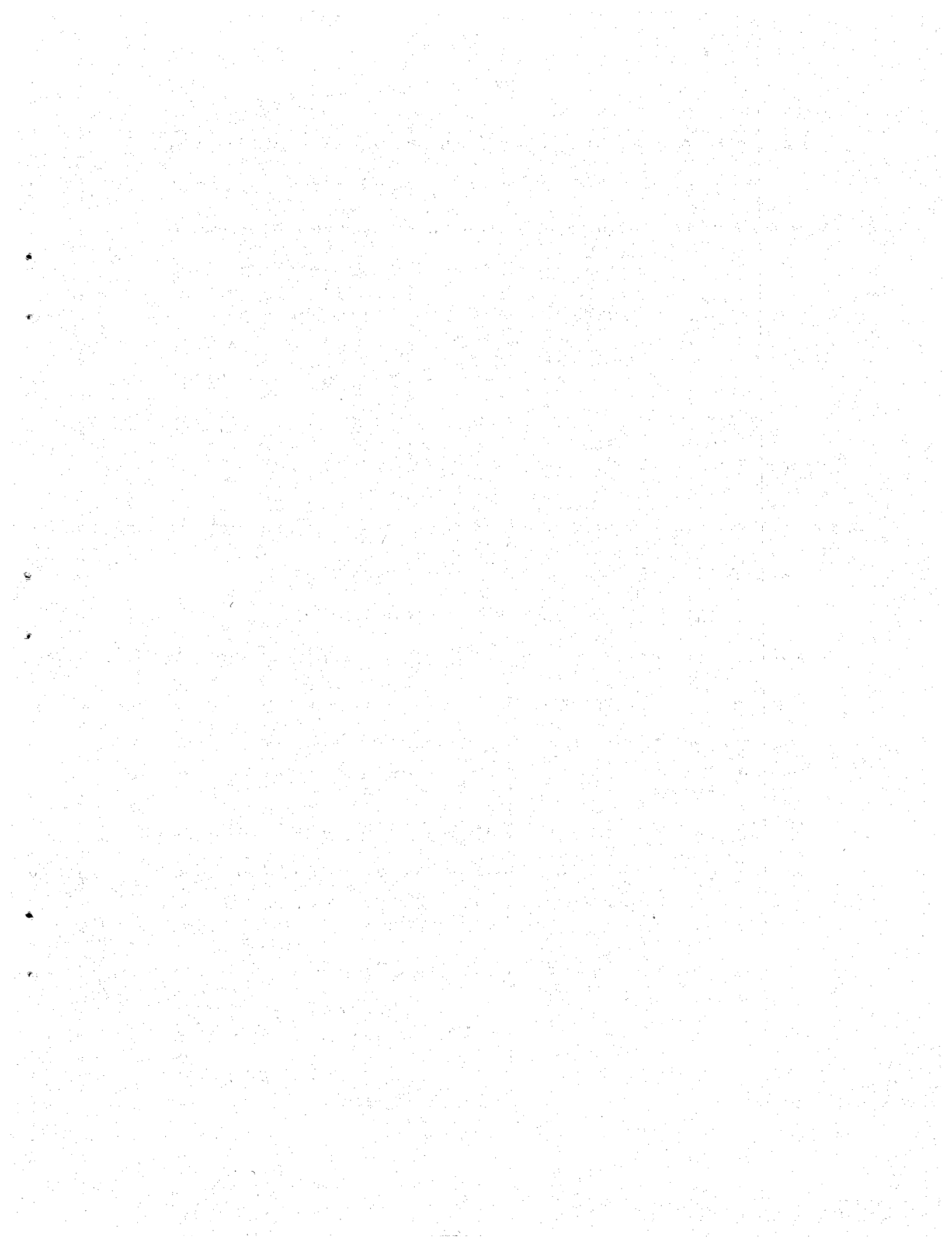
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ACR-2001 contemplates an amendment in the New Jersey Constitution which would exempt pensions under the Federal Railroad Retirement System from inclusion in the calculation of income when a property owner is qualifying for the \$160 property tax credit. The rationale for this resolution is sound because, in 1970 by referendum, New Jersey provided that social security payments should not be included in calculation of income under these circumstances.

We are all familiar with the unsuccessful attempts to amend implementing legislation late in 1970 to accomplish the purposes of ACR-2001.

I am appearing before you today to suggest that additional considerations should be taken into account if the New Jersey Constitution is going to be amended further on the matter of income qualifications for property tax credit.

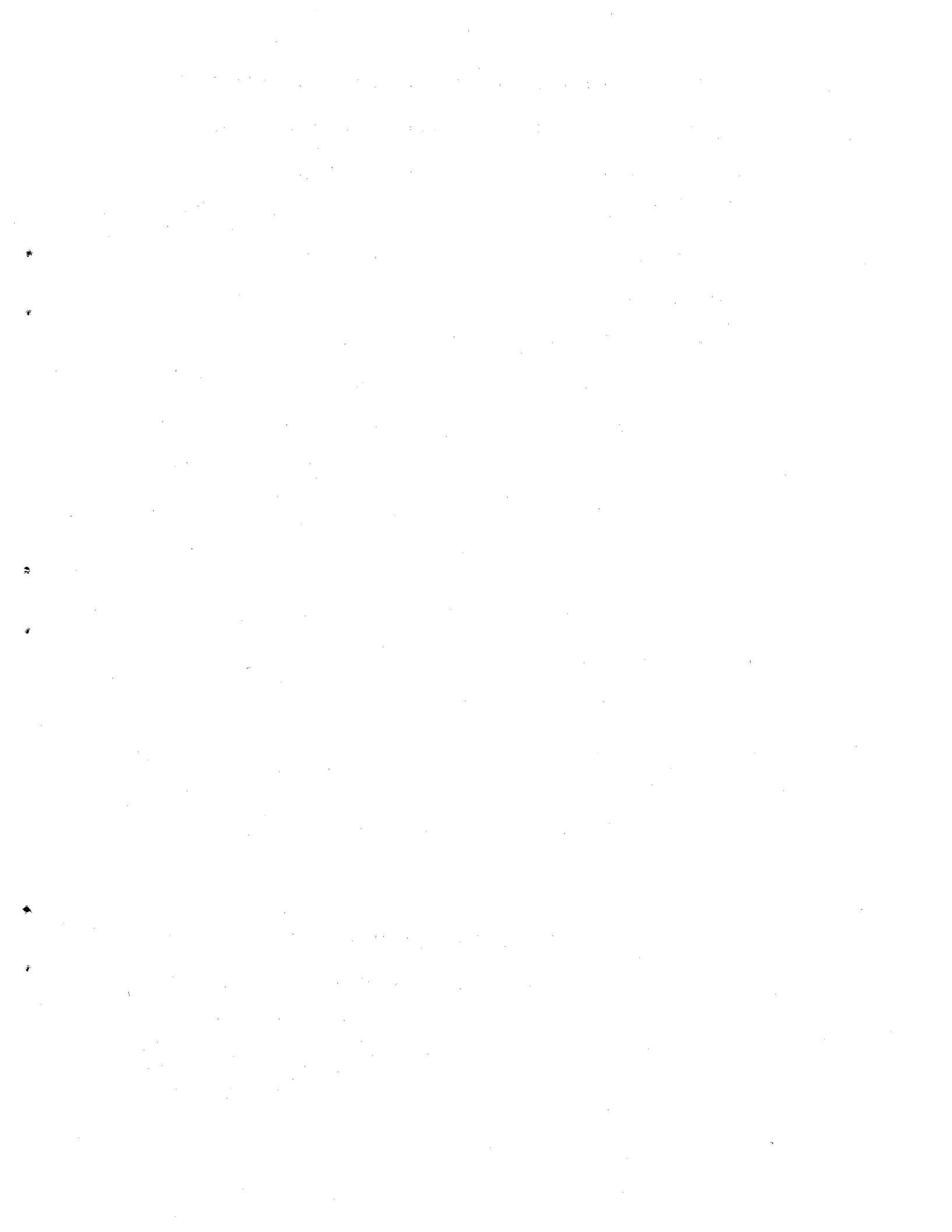
The Senior Citizens Tax Study Commission in its report in



early 1970 also recommended that single women at age 62, if they are property owners, should be eligible for the same credit.

In addition, there are other Federal pensions as well as certain state pensions which precluded the participant from being a member of the Social Security System, and by the same logic as used on Railroad Retirement Act pensions, should allow the recipient at least the same credit as he would receive as a social security beneficiary.

As a further and more far-reaching concept, the same principle which we have in New Jersey allowing property owners over retirement age tax credit can be applied to those unfortunate citizens who are totally disabled. There are property owners in New Jersey who are under 65 years of age and qualify for social security because of total disability. In my view, these people are no longer active members of the New Jersey labor force -- through no fault of their own -- and should be treated in the same manner as those over 65 with respect to property tax credit. After all, these disabled persons, like their counterparts who have retired, are not in a position to earn sufficient salary or wages to pay the exorbitant property



taxes which now exist. This group has a further handicap in that they receive no benefits from medicaid, whereas our senior citizens are eligible for medicare payments.

The above principles are embodied in ACR-2009, and I would respectfully suggest that all potential changes in this section of our Constitution regarding property tax credit be considered at one time.

Thank you.

